RURAL ECONOMIC DEVELOPMENT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

OF THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

AUGUST 7, 1989, CLARKSDALE, MS
AUGUST 9, 1989, AMARILLO, TX
AUGUST 11, 1989, MARSHALLTOWN, IA
AUGUST 22, 1989, BLACKFOOT, ID
SEPTEMBER 11, 1989, LEROY, NY
SEPTEMBER 18, 1989, MONTGOMERY, WV
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[1] Resigned from Congress, June 15, 1989.

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RURAL ECONOMIC DEVELOPMENT

MONDAY, AUGUST 7, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION,
CREDIT, AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
Clarksdale, MS.

The subcommittee met, pursuant to call, at 9:15 a.m. at the Clarksdale Civic Center, 506 East 2nd Street, Clarksdale, MS, Hon. Glenn English (chairman of the subcommittee) presiding.

Present: Representative Espy.

Staff present: James E. McDonald.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. ENGLISH. The hearing will please come to order.

Let me say that I am very delighted today to bring the Conservation, Credit, and Rural Development Subcommittee to Mississippi and particularly here to Clarksdale. I know that the issue of rural development is one that is of great interest to this region of the country, as it is to my own State of Oklahoma and rural areas throughout this Nation.

We have seen, particularly through the decade of the 1980's, a steady erosion of our rural areas where people are finding it more and more difficult to live by choice and because of the lack of jobs, educational opportunity, the lack of economic opportunity, they are pushed into the major metropolitan areas of this country. It is estimated in the year of 1986–87 alone, some 1 million people moved from rural America into urban cities.

Nor is this simply a rural problem, because people who move to urban areas far too often lack a job or lack the skills to find a job in most of the cities. Therefore they become a burden on that city, on its services, and they do not contribute from the standpoint of the financial needs of the city. So this is not simply a problem that faces rural America, it is a problem that faces urban America as well. There is a real question as to whether the people of this country will, in the future, have a choice as to where they live, have a choice as to where they raise their families.

We think, given the proper opportunities, that rural America can blossom in the future. We do not think that there is any question that rural America can compete with major metropolitan areas. There is no question that rural America should offer the same opportunities as far as education, health care, and jobs that we find in urban areas. In fact, I had one of the major investment bankers

of this country tell me that in his opinion, the pendulum is going to swing back toward rural America, that the problems of urban areas are simply too great and that there are too many opportunities in rural America simply waiting to be discovered.

This fall we plan to put together a rural development bill. We will have to be sensitive to the budget requirements this country is facing. We will have to be sensitive to the fact that there will not be huge amounts of new money available, but we do recognize that today within the Department of Agriculture, there are some $6 billion being spent on various rural development programs. Outside of the Department of Agriculture, the rest of the Federal Government, again another $6 billion is available. We do not think that that money is being used as effectively as it should be.

Many of the programs that exist have existed for as long as 50 years. It is time to consolidate these programs, pull them together, and target them toward the needs of the 1990's and the century beyond.

So today, we have a difficult task, but one that I think presents great opportunities not only to Clarksdale and all the rural communities in Mississippi, but to communities in my home State of Oklahoma, my hometown of Cordell and its some 3,000 people, and throughout this country.

We think that rural America indeed has a bright future. We think that those communities that want to help themselves deserve the support and the assistance of the Federal Government. But let me say that for those who sit back and are waiting for the Federal Government to deliver a new industry, to deliver money, to deliver jobs, to deliver health care, to deliver education—folks, you are in for a long wait.

The Federal Government can help, the Federal Government can offer a helping hand, the Federal Government can support and assist, but the success or failure of rural development will depend upon each community, its people, and its leadership. The question of success or failure is going to rest on every person living in a rural community.

For those that want to see their town grow, I think that we can do much to assist. For those who want someone else to do the job, there is not much we can do to help you out.

It is a pleasure to have Congressman Espy on the Conservation, Credit, and Rural Development Subcommittee. He has done a great job in describing to our subcommittee the needs of this region and certainly I think that we are all struck by the fact that every area of this country has a different need, a different idea as to what rural development really means. So we wanted to come to Mississippi, to Clarksdale, Congressman Espy's district, to see what the needs of this region are and to make sure that those needs are reflected in the legislation that we draft.

As chairman of the subcommittee, it is a real pleasure for me to be here and I appreciate the hospitality that has been shown, but today I want to turn the Chair of this subcommittee over to Congressman Espy. He has done a fantastic job in presenting the needs of rural development for Mississippi, and I want him to have the honor of chairing this subcommittee. Congressman Espy.

OPENING STATEMENT OF HON. MIKE ESPY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. ESPY [acting chairman]. Thank you, Mr. Chairman, I appreciate you turning over the responsibility to me. I do have a written statement, but I would like to ask unanimous consent to have the entire written testimony entered into the record.

Mr. ENGLISH. That will be done.

Mr. ESPY. Thank you.

We know that we have an important task before us. We have so many here waiting to testify, so I will be brief with a couple of comments of my own.

Three points I would like to make. First of all, I would like to thank Chairman Glenn English for coming to Mississippi and for coming to the Second Congressional District. The public should understand that this is the beginning of a 5-week congressional recess, and this is usually the time where we reacquaint ourselves with our families. We have many who have gone home and decided not to do any so-called business at all. We have others who decided to jump onto airplanes to head toward various exotic lands all across the globe; Tahiti, some have gone to Hawaii, some to the Philippines, some to the Caribbean. And the fact that the chairman of this very important subcommittee decided to come to Clarksdale, Mississippi really says a lot about him and the seriousness to which he takes his job as chairman of this important subcommittee.

And he is right, we want to revitalize rural America. We have a chance to do it. We are now headed toward the 1990 farm bill, and the testimony that we hear today will constitute, in my opinion, a very important part of developing the rural development aspect and component of that 1990 farm bill.

I believe also, sir, that this is the first field hearing that you have held outside of Washington as the chairman of this subcommittee, so I do appreciate the fact that you would come here.

Second, let me say that it is really easy to understand why attention is needed to the problems of rural America but it is harder to find viable solutions. We know that the efforts to improve the quality of life in rural America have been a concern of the Federal Government for decades. We, right now in Washington, have 88 rural development programs that are overseen by 13 Federal departments, commissions, and agencies already—88 rural development programs overseen by 13 Federal agencies. So it is not a new problem. But still we have fallen far short of the mark. Rural areas have suffered a 70 percent reduction in developmental assistance in the 1980's, rural poverty rates are 36 percent higher than those rates that exist in urban areas, more than two-fifths or 44.1 percent of rural blacks are poor. And this is in contrast, Mr. Chairman, to 33.3 percent of blacks living in central cities in terms of the rates of poverty.

Rural poverty rates in the South are higher than in any other region, 22.4 percent in 1986 as compared to 18.6 percent in the West, 14.4 percent in the Midwest and 11.2 percent in the Northeast. And 97 percent, Mr. Chairman, of all poor rural blacks live in the Deep South, as we know it.

You also have already alluded to the fact that people are leaving, our children are leaving after they graduate from high school. In fact, Mr. Chairman, over 400,000 people leave what we now know as rural America on an annual basis and in our own district that we love so dearly, by the year 2010, 12 of the 22 counties that I am privileged to represent will lose population. In fact, I was looking at a Census Bureau estimate report the other day and it already suggested that since 1980, we have lost about 65,000 people out of the Second Congressional District of Mississippi. And you cannot really blame them, they are looking for opportunities elsewhere. We have a lack of jobs, we have hospitals closing and so we just have a tremendous problem. And that, after all, is really why we are here today, to find some solutions, not just to rehash the same old problems.

[The prepared statement of Mr. Espy follows:]

STATEMENT BY CONGRESSMAN MIKE ESPY OF MISSISSIPPI BEFORE
THE CONSERVATION, CREDIT AND RURAL DEVELOPMENT
SUBCOMMITTEE FIELD HEARING
AUGUST 7, 1989

MR. CHAIRMAN, I AM HONORED THAT YOU HAVE CHOSEN TO CONDUCT THE FIRST IN A SERIES OF FIELD HEARINGS IN MY CONGRESSIONAL DISTRICT. THERE ARE MANY NEEDS IN RURAL AMERICA, WHETHER IT IS IN MISSISSIPPI, OKLAHOMA, MINNESOTA, OR TEXAS, WE ARE NOT ONLY REMINDED OF THE PAINFUL DISPAIR THAT GENERALLY ACCOMPANIES THE VICTIMS OF LONG-TERM POVERTY, BUT WE ARE CONSTANTLY REMINDED OF THOSE WHO ARE MARGINAL, MOVING IN AND OUT OF POVERTY EVERY OTHER MONTH, THE WORKING POOR.

MR. CHAIRMAN, ALMOST 43 PERCENT OF THE PEOPLE IN MY DISTRICT, THE SECOND DISTRICT OF MISSISSIPPI, LIVE BELOW THE POVERTY LEVEL. THE OVERALL UNEMPLOYMENT RATE IN FEBRUARY 1988 WAS 16.8 PERCENT, COMPARED WITH 5.7 PERCENT FOR THE NATION. UNEMPLOYMENT RATES REACHED 35.7 PERCENT IN SHARKEY COUNTY AND 30.7 PERCENT IN TUNICA COUNTY.

SOME MIGHT SAY THIS IS NO TIME TO PROPOSE NEW FEDERAL AND STATE PROGRAMS. HOWEVER, TO THOSE I SAY WE CANNOT AFFORD NOT TO ADDRESS THESE PROBLEMS FOR BOTH FISCAL AND MORAL REASONS. UNTIL ALL AMERICANS HAVE A DECENT EDUCATION, DECENT HOUSING, AND A DECENT JOB, ALL OF AMERICA WILL SUFFER AND WILL BE HELD BACK FROM REALIZING HER FULL ECONOMIC POTENTIAL.

SO THE ISSUE BEFORE US IS NOT WHETHER TO THROW MORE FEDERAL MONEY AT A PROBLEM; RATHER, IT IS HOW TO USE OUR MONEY MORE EFFECTIVELY AND HOW TO COMBINE THE PRIVATE AND PUBLIC SECTOR COMMUNITIES INTO A SOLID PARTNERSHIP TARGETED TO RURAL AMERICA.

IN CLOSING, MR. CHAIRMAN, I HAVE OFTEN ILLUSTRATED MY VISION OF AMERICA BY DEPICTING IT AS A MIGHTY CHAIN OF STATES. EACH STATE REPRESENTING ONE LINK IN THAT CHAIN. THE CHAIN IS ONLY AS STRONG AS ITS WEAKEST LINK. REALIZING THIS, WE SHOULD DIRECT OUR RESOURCES TO THOSE LINKS THAT ARE THE WEAKEST, THEREBY INSURING THAT THE GENERAL WELFARE OF THE ENTIRE CHAIN IS PRESERVED. IN A DEMOCRACY, THE STRONGER THE CHAIN, THE SAFER THE TOWING.

AGAIN, I WOULD LIKE TO WELCOME YOU TO CLARKSDALE, MISSISSIPPI, AND I LOOK FORWARD TO HEARING TODAYS WITNESSES.

Mr. ESPY. To the participants, let me just say first of all that there are many of you here to testify and we appreciate your willingness to do so. Everybody wants to testify, so we would like you to limit your comments, if you can, to about 5 or 6 minutes apiece, please. We have already received your written testimony, we do have a stenographer here and so our colleagues in Washington and in the Federal agencies will read what you have to say, and we would like to spend the bulk of our time in hearing brief oral comments from you and to interact with you by way of asking questions.

Mr. ENGLISH. Mr. Chairman.

Mr. ESPY. Yes, sir.

Mr. ENGLISH. Mr. Chairman, I would request unanimous consent that all written testimony of all of our witnesses be made a part of the record.

Mr. ESPY. Without objection, that is so ordered.

To the participants, we are taking action today. This, in my opinion, is not just another hearing and I hope that yours will not be just another testimony. The record I think will be very productive, we are marking up a 1990 farm bill, a rural development section will be made a part of it.

So with those comments, Mr. Chairman, I would like to get started.

Let us call upon Mayor Henry Espy for comments and to make the introductions as you would see fit, sir.

REMARKS OF HENRY W. ESPY, MAYOR, CITY OF CLARKSDALE, MS

Mayor ESPY. Congressman English, Congressman Espy, the 22,000 people of Clarksdale thank you very much for selecting Clarksdale, the northern city of Mississippi and the projected growth center of Mississippi, to hold these hearings.

In Clarksdale, like most cities, we can show you problems. But at the same time, we can show you projected outlines for solutions. This morning, I have special guests who have written statements to bring to you. George Walker, president of Delta Wire and member of the Industrial Foundation, he moved here from Boston, Massachusetts. David Hunt, practicing attorney with Ross, Sullivan, Spell, and Hunt, he is the attorney for MEAM, the energy organization here. And Clifford Johnson, executive director of the Northwest Mississippi Regional Medical Center. Thank you.

Mr. EPSY. Thank you. George.

STATEMENT OF GEORGE F. WALKER, PRESIDENT, COAHOMA COUNTY INDUSTRIAL FOUNDATION

Mr. WALKER. Thank you, Mayor.

I would first like to thank our distinguished Congressmen for wearing our big frog pins and tell you a little bit about that. That is part of a national advertising and marketing campaign to market Coahoma County and to bring in jobs, and it is starting to be successful. We have great support from the city and county.

Mr. ESPY. Let the record show that we have been properly pinned. [Laughter.]

Mr. WALKER. We appreciate you wearing them, really. It is part of something very exciting going on in Coahoma County, a very intense marketing.

I would like to comment that in this part of rural America, we are all working hard to pull ourselves up by our own bootstraps economically. We are trying to reverse our population losses and to find and to build a better and brighter future for our own part of rural America.

As one means of doing this and accomplishing this, we have prepared a community report for submission to the Lower Mississippi Delta Development Commission, and have presented this report to the commission at a recent hearing in Memphis. This is the report which I submit for the record. I will refer to it again briefly.

In order to show you where we have been, where we are now and where we hope to go, I would like to have you look at a very brief video that we have prepared for the Lower Mississippi Delta Development Commission, please.

[Videotape shown.]

Mr. WALKER. Thank you for your kind attention. That pretty well tells our story. I would like to have a few brief comments to illuminate the story.

We feel, as we said in the video, that we do have the potential to grow in Coahoma County, to succeed, but we feel we are somewhat in the position of the agricultural people who plant a seed, before the seed will come to fruition, we need some Sun, some water, and some fertilizer. And we need some assistance to really get to our potential, just like the crop needs the assistance of fertilizer and what-have-you.

We need some help to overcome the structural problems which we face, many of which are caused by reduction in agricultural employment and what-have-you. However, we do have some outstanding assets, which very briefly I would like to mention.

First of all, I consider that our Congressman is an outstanding asset, his interest in getting passed the report and the Commission for Lower Mississippi. Also our local city and county government which back the Industrial Foundation in our efforts 100 percent, which is a great advantage to us, and also our Governor and Mrs. Mabus in their work with both literacy and basic education, because I at least am convinced from my work in industrial development and perhaps in running a company, that economic development is locked in 100 percent to education. So what they are doing is very, very important.

We do have an excellent location in Coahoma County and in Mississippi. We have available human capital, I can personally attest that the folks who are here in Clarksdale can succeed, can succeed in competition with anyone in the world, can be in world class competition and if they have the opportunity to have jobs they can do it. I have seen that, I have done it myself with people and they essentially have done it for us.

My last comment, because of time, is I would like to just mention on three or four key parts of this report what we have, as men-

tioned in the video, looked at and felt the places where we need assistance in backing and what-have-you.

On transportation, as they said, an upgraded transportation system, particularly route 61, four-laned to Memphis. Also, ultimately routes 49 and 6.

In economic development, development and funding for incentive programs perhaps without cost, but incentive programs through tax credits or whatever, to encourage industry to locate in rural America; more specifically from our viewpoint, Coahoma County. Perhaps a rural enterprise zone type of thing would be the answer to aid both agriculture, and we are very, very concerned with aiding agriculture as well as industry. So that would be economic development.

Education and training, any assistance we can get through the State to ourselves for literacy training as Mrs. Mabus is working so well on in basic education reform as the Governor's program is now coming to the fore.

On housing, obviously from the video, some assistance on housing to encourage people to have the decent homes that we showed on the video.

On health care, the need to develop a perinatal project.

And on infrastructure, obviously like the rest of the United States, attention to highways and what-have-you.

What we bring to the table is abounding community support. The community here, and I feel in much of Mississippi, is behind progress, wants progress, and the community is working together. This is a unified community on that. We have very strong local leadership and government in the State and we also certainly have the potential for success.

Again, we need a foot up the ladder, we need a jump start perhaps to push a little bit from our own effort, and perhaps a comprehensive agricultural and industrial enterprise zone would be an answer.

Thank you very much.

[The prepared statement of Mr. Walker appears at the conclusion of the hearing.]

Mr. ESPY. Thank you. Now, Mr. Hunt.

STATEMENT OF DAVID R. HUNT, ATTORNEY, MUNICIPAL ENERGY AGENCY OF MISSISSIPPI

Mr. HUNT. Mr. Chairman, Congressman, I appreciate very much the invitation to make these remarks to your subcommittee. I am a practicing attorney here in Clarksdale and I assume that the invitation extended to me arises out of my representation of several utilities in this area. In accordance with a ruling of the committee, I have submitted written testimony and I will briefly summarize that at this time.

Clarksdale, as does more than 20 other municipalities in Mississippi, owns its own electric utility system. It is a member of the Municipal Energy Agency of Mississippi, we refer to it by its acronym MEAM. MEAM is a political subdivision of the State composed of the cities of Canton, Clarksdale, Durant, Greenwood, Itta

Bena, Leland, Kosciusko, and Yazoo City. These towns range in size from approximately 24,000 down to about 2,800 or 2,900.

To the extent that local governmental units can be vehicles for economic development incentives, MEAM is uniquely situated to assist these local governments in that effort. In fact, Mr. Neil Davis, the new general manager recently employed by MEAM, in addition to his general management qualifications, has an outstanding background as an economic development professional.

If anyone would question why I place emphasis on energy before a hearing on rural economic development, my answer is that an energy system is one of society's most basic infrastructures.

The form, reliability, and cost of energy are essential to any program to promote economic development. While economic development in rural areas may not be totally dependent upon reasonably priced and reliable energy, excessively high energy costs or unreliable energy sources will in all circumstances hinder or deter economic development.

Clarksdale and the other seven members of MEAM are at present competing successfully in supplying low cost and reliable energy to the roughly 85,000 or so citizens and customers of those towns. The electric rates in these towns are at this time lower, in some cases substantially lower, than the neighboring utilities. However, these small towns are competing in an age of uncertainty. The future is, as one writer has said, "less knowable than we once thought." Energy demand in 5 or 10 years cannot be predicted with any degree of confidence. One set of statistics indicates that the 1986 energy consumption in the United States was the same as it was in 1973.

Add to that variable the present uncertainty of national energy policy—or the lack of it—and the normally cautious and conservative municipal utility executive must at times feel like a high risk gambler. In planning to meet the anticipated demand for energy in 1995 or 2000, which demand may or may not develop, the utility planner is uncertain as to what source of energy, electric energy, he should choose. Should he choose coal with its twin environmental threats of acid rain and greenhouse effect? Should he choose natural gas with the uncertainty of price and the predicted depletion of supply?

President Bush recently announced his proposed amendments to the Clean Air Act, which will restrict emissions now caused by burning coal.

On July 26, the Secretary of Energy, Mr. Watkins, announced that regional public hearings would be held to gather public opinion to form a comprehensive national energy strategy to be proposed by the administration. This comprehensive national energy strategy must address issues as they relate to economic development, and they must propose a fair resolution and Congress must enact these policies with dispatch.

Now what does all this have to do with rural economic development? These issues and their resolution are going to determine the cost of energy in rural areas, and the cost of energy in these areas either is going to encourage economic development or it is going to hinder it.

Now what direct impact will the resolution of these issues have on economic development of Clarksdale's immediate area? What MEAM, its member cities and their customers have to pay for energy will be determined in large part by these policies and the resolution of these issues. But there is an element of far greater consequence to Clarksdale and the MEAM cities. Of the approximately $40 million per year that the electric customers of Clarksdale and the seven other towns of MEAM pay for electric energy, $25 million directly leaves this area. MEAM and its members either purchase electric energy produced elsewhere and have it transmitted here, or they purchase coal and natural gas produced elsewhere and transport it here to fuel the generating plants. In other words, we are importing energy and exporting money.

Now what impact would it have on the local economies of this area if that $25 million stayed here? We have here in our area a natural resource that can provide our electric energy. That resource is lignite, apparently large quantities of it. MEAM and its members need to be planning their power supply for the latter part of the next decade and into the 21st century, yet MEAM and its members cannot proceed at this time until we know what the national energy policy and strategy is and particularly whether it will allow the burning of lignite, in view of the proposed Clean Air Act amendments.

Needless to say, rural economic development would have actual meaning to Clarksdale if the lignite resources in this area of the delta could be developed as a source of reliable and affordable electric energy.

I respectfully urge this committee to weigh the consequences of proposed national energy policies on the future cost of energy in our area, to weigh the effect of energy cost on economic development, and to recognize the impact on local economic development of the utilization of local natural resources for energy supply.

Again, I thank you for permitting me to offer these comments.

[The prepared statement of Mr. Hunt appears at the conclusion of the hearing.]

Mr. ESPY. Thank you. Mr. Johnson.

STATEMENT OF CLIFFORD L. JOHNSON, EXECUTIVE DIRECTOR, NORTHWEST MISSISSIPPI REGIONAL MEDICAL CENTER

Mr. JOHNSON. Thank you.

Congressman Espy and Congressman English, I appreciate the opportunity to talk to you for a few minutes about some of the problems we are experiencing in rural health care. I would like to speak specifically for a couple of minutes about what I feel is a great problem, and that is the inequities of the prospective payment system.

You hear a lot of talk these days about the aging population and high infant mortality and about teenage pregnancies. Congress expects hospitals to care for these people, the public expects us to care for them, you expect us to provide state-of-the-art care, but yet this costs a lot of money to do. And Congress seems not to be responsive to what we are asking be done.

We do not understand that. We do not understand why Congress does not respond. A lot of hospitals are closing, especially in the rural sector, and we do not understand why you do not really want to do something about that. Do you not understand what we are saying when we say we are in trouble financially? Do you not trust us to be telling the truth? We do not understand.

Last year in our hospital here in Clarksdale, we had a budget of over $32 million. We charged off over $11 million of that to what we call uncompensated care. That is the differential in Medicare, Medicaid, other forms of health care that is not paid for. That makes it pretty tough for us to operate.

When the prospective payment system was set up, DRG's or Diagnostic Related Groups were initially established to cover a reasonable amount of the cost providing care. But on average, they do not. The DRG system of payment is equitable only when patients do not remain hospitalized very long and do not utilize very many hospital services. But let us face reality, people over 65 years of age have more health problems, they become hospitalized more frequently and they are sicker and require a greater intensity of hospital services.

Included in the Medicare guidelines is a provision for add-on DRG reimbursement. In hospitals like ours which care for a disproportionate share of low-income patients, this add-on payment is calculated according to an urban/rural formula. But the rub is that urban hospitals and rural hospitals are paid quite differently. An urban hospital has to provide less indigent care to get a higher add-on payment than a rural hospital. The rural hospitals are discriminated against and are required to provide more indigent care to get a lesser percentage of add-on pay.

I know that sounds complicated, but in dollars and cents, this is how it translates. If the medical center in Clarksdale had been receiving the same percentage of disproportionate share, add-ons as an urban facility with like patient mix, our payment would have gone from $279,000 to over $1,046,000 last year. That is a difference of about $700,000.

In the same vein, all urban hospitals have an individual wage index factor. Rural hospitals are all lumped together into one index. This is blatantly unfair in that the services rendered in rural hospitals differ drastically from hospital to hospital, from very sophisticated facilities like ours to small rural hospitals that are little more than first aid stations. In dollars and cents, the medical center in Clarksdale would have received $653,000 more during fiscal year 1988 if we had been paid the same rate as urban hospitals in Jackson, Mississippi.

Taking into consideration all prospective payment rates that are differentiated along urban/rural lines, our rural hospital would have received an additional $373,000—that is excluding the increase for wage index that I just discussed—if it had been paid, on the rural rates.

In Clarksdale, Mississippi, this makes a critical difference in our ability to stay alive and to take care of the people that I mentioned earlier. That is a difference of over $1,700,000 totally that we would have received last year if we had been paid on what we think is an equitable rate according to the urban/rural differential.

If the Congress of the United States does not quickly respond to the inequities in the Medicare Program, then a genuine threat exists to those hospitals that fall in the rural and disproportionate share categories.

What I am concerned about is the possible failure of the health care system in grassroots America. If you think it costs money to maintain a quality hospital in today's marketplace—and it does—I cannot imagine the cost to the American taxpayer in trying to resurrect a health care system that has been allowed to fail through default.

In order to help the medical center in Clarksdale and other rural hospitals like ours, I would like to make the following recommendations.

One, the disproportionate share add-ons should be made equal by bringing the rural hospital rate up to the urban rate. We do not see the need to differentiate between rural and urbans. This rate should be based solely on the percentage of low-income patients taken care of by a particular hospital;

Two, increase the labor and nonlabor factors in the PPS rate, bringing the rural hospitals up to the urban hospitals level; and

Three, totally abandon the wage index rate that is currently being used in the computation of the PPS rates.

Thank you.

[The prepared statement of Mr. Johnson appears at the conclusion of the hearing.]

Mayor ESPY. Congressman Espy and Congressman English, once again we would like to thank you very much for the opportunity to testify and then for the opportunity you have given us for hosting these hearings. Thank you.

Mr. ESPY. Thank you, Mayor Espy, we appreciate your testimony and the testimony of our colleagues here as well as the descriptive film on the assets that exist within this immediate community.

I just have a couple of questions to ask. First, let me answer, Mr. Johnson. I understand the frustration. You come here and ask us do we understand the problem, and you question whether or not we believe you and in fact you stated very eloquently when you say you are telling the truth. We know that you are telling the truth. We can look all around Mississippi and see that hospitals have closed recently in Hollandale, there exists some threat to the hospital in Tunica and we know that you are laboring under a severe problem when it comes to Medicare reimbursements. We know the problem.

I sit on the Rural Health Care Caucus as well as Chairman English, and we have submitted a bill to our colleagues in the Congress that could remove this inequity that exists in the Medicare reimbursement rates. We know that when you apply for your money, that you do have to document the fact that you care for more indigent clients, just to get a lower rate of reimbursement, than a hospital even in Jackson. In fact, the last year we testified to it, you did come up and you talked about the fact that this represented about an $800,000-difference and we know that that money could be well used here in Clarksdale and in Coahoma County.

The wheels of government move very slowly. That is all I can say. I have not come upon anyone in Washington who would dis-

agree with what you are saying, but the bill has been referred to Ways and Means, it has been referred to the Committee on Energy and Commerce and then it has been doubly referred to the appropriate subcommittees. So we have to just go through the motions. The wheels of government sometimes turn very slowly, but I have no doubt, sir, that the problem will be rectified, hopefully even as soon as next year. I think that everybody recognizes that this represents a gross inequity and rural hospitals ought to be treated just as urban hospitals.

Mr. ENGLISH. Mr. Chairman. Mr. Johnson, I too would like to underscore what Congressman Espy has said, and I want to shoot straight with you a little bit too. I think it is something that we all have to understand.

The Congress and certainly the U.S. Government are political bodies. It is extremely difficult to keep politics out of any of these decisions, it does play a part. The simple fact of the matter is with the House of Representatives we have a 9 to 1 urban majority. That is the reality, the political reality in which we deal with any rural development legislation, we are talking about any agricultural legislation—that is the environment in which such legislation was passed.

The other part of it is the fact that we are facing a very tight budget, which is underscored day in and day out by the news media. Those of us in Congress are very mindful of that, certainly those of us who have to try to pass programs.

In this particular case, back in 1971 or 1972, the assumption was made that you could deliver health care cheaper in a rural area than you could an urban area. The idea was you can live cheaper in a rural area than in an urban area, labor costs are cheaper in a rural area than they are an urban area. A number of assumptions like that were made. They did not take into account the points that you just made, and you are absolutely right in what you are saying, I do not know of anybody who disagrees with that. But we have been going now some 20 years under that formula, that process, and quite frankly through the 1980's with the soaring budget deficits, whenever this really was driven home it was because so many of our young people have moved out of rural areas and the percentage of population that you find in rural hospitals has grown and the problem is exacerbated all the way through.

But the thing that we come down to is the question of raising the compensation for rural hospitals to what the urban hospitals are getting. And we are all pushing in that direction. The trend is moving in that direction.

The question, you put it so well and I think it occurs to everybody is: Why are rural areas not paid the same as urban areas? If we know there is a problem, if we know there is an inequity, why do we not just jump right up there? And the reason is money—the reason is money.

The only way that we can come up with those funds is to take it away from urban hospitals—that is the reality, take it away from urban hospitals.

But as I said, you are dealing with a political body. You have a 9 to 1 urban majority and they are not that thrilled about those of us from rural areas coming in and saying hey, you have to give up

some of the compensation to your urban hospitals to go to the rural hospitals. So it is a fight, there is a struggle, and we are making some progress. Any additional funds we can come up with, we are moving in that area.

You are absolutely right about rural health care being a key part of rural development. If you do not have good health care, people do not want to live there, people cannot live there. People get sick, particularly elderly people get sick. And so it is a key ingredient to rural development, and we are extremely sensitive about it. And the Rural Health Care Coalition has, in the last year, made tremendous progress. We have turned this thing around and now we are moving back the other way. Not as fast as you and I would like, but we are moving in that direction.

Thank you very much. We might as well lay the cards on the table so that everybody understands where we are coming from, particularly in a problem like that and the reality we are facing, but we are moving back in the right direction and the gap is beginning to narrow.

Thank you, Mr. Chairman.

Mr. ESPY. Thank you, sir.

Now let me put you on the spot, mayor and members of the panel. I could not agree more with the chairman's assessment of the problem. First of all, it is a tremendous budget problem. I sit on the Budget Committee and I know that we have to comply with the Gramm-Rudman guidelines and in the next fiscal year we have to get down to somewhere near $64 billion and we have to find twenty or so billion dollars to cut. But I saw a film here that identified six elements in your report. I do not know if they were designated by priorities, but I want you to do that for me.

You know that oftentimes, the goal of government—the problem rather, is to allocate resources between competing goals. All of them are worthy. Let me ask you, of the six elements that you presented in your report and as outlined on the film, if we just could fund only the top two, what would you consider the top two of the six—very quickly. Let us see if we get the same answer.

Mr. WALKER. Congressman, I can honestly say that—I think I would be presumptuous to say it—education is a necessity and I am evading your question, I understand, help with economic development, obviously health care. I think it all goes together. I will meet with my folks and come up with something on that. But sitting here today, I would not want to make that choice because the others are just too important to give up.

Mr. ESPY. So you cannot say.

Mr. WALKER. Not today.

Mr. ESPY. You do not want to say.

Mayor ESPY. All six are equally important. We are working on all six, Congressman, but like George said, education is a priority and has been a priority for the State. We feel that if we accomplish that goal, all the other priorities will fall in line—also economic development. But like you said, you do not have all the money, nor do we have all the money. But we put those kind of elements together to pull our ownselves up by the bootstraps to be the community we want to be.

Mr. ESPY. I am not going to ask Mr. Johnson because I know he is going to say hospitals.

Mayor ESPY. David will probably say industry.

Mr. JOHNSON. Well let me just say one thing. Of course our biggest industry I think in this county is transfer payments, is that not right?

Mayor ESPY. That is right.

Mr. JOHNSON. Just with jobs coming into a community that would provide insurance benefits, that sort of thing, health benefits, would help us tremendously. Of course I know you said early this morning that we should not be expecting you to move industry into Clarksdale and I understand that, but that is one of the things that we need very badly.

Mr. WALKER. Yes; and that all ties in to education I believe, Congressman.

Mr. ESPY. Yes.

Mayor ESPY. Congressman, let me say something and we will finish. We notice that the Congress always says it is going to focus on the weak link of the chain—we hear that all the time from the President, from the Congress and from you gentlemen. We are a weak link in that chain and we would respectfully ask you to focus on that weak link in the chain.

Mr. ESPY. Thank you. And with that comment, we will call this particular panel to a close and we will invite Mrs. Julie Mabus to the witness stand. Thank you so much.

Mrs. Mabus, would you approach the witness table please. While you are coming, just let me thank you, Julie, for coming and let me thank you for being patient with us and let me congratulate you for the work that you have done in the field of preventing illiteracy and infant mortality and the promotion on child care. We appreciate your testimony and appreciate your appearance. Please begin.

STATEMENT OF JULIE H. MABUS, FIRST LADY, STATE OF MISSISSIPPI

Mrs. MABUS. Congressman Espy and Congressman English, I am honored to have this opportunity to speak to you and I am particularly pleased that Mississippi is one of the States that you picked to hold your hearings. The significance of this is that we have phenomenal needs in this State. You have just heard some of them from the Clarksdale area.

But our people have a spirit and a commitment and a desire to attack these problems in creative ways and in ways where our hands are not necessarily held out all the time.

I have been asked to talk about human deficiencies or social needs of our State as they affect rural economic development. This alone is a victory of sorts, and what I mean by that is the following.

Our State and our country has suffered from the needs created by human deficiencies for as long as this country has been in existence. Our attempts to solve these problems have been numerous. We have always known it was the right thing to do, the just thing to do, the decent thing to do. We have always had the best intentions to correct this human tragedy. Helping our fellow man and

woman was good and kind and honest, but if we knew all this, then why was the problem not being solved?

Well the hard, cold, cruel reality was that people did not see solving the problems of human deficiencies as the most economical thing to do. Until this country and this State started looking at human deficiencies in terms of the bottom line, in terms of business reality, the resources for correcting these problems just would not be there. I am proud to say that in the areas of child care and adult literacy, the two human issues that have actually stolen my heart and the only two issues that I will address here today, this State knows that our economic success depends on their success. In our communities—and we are a State of small rural towns, rural areas—it has become painfully clear that if we are going to have a workforce that can deal with the demands of a changing world, this workforce has to be able to read and to write and compute. Nearly 30 percent of our adult population in this State is considered functionally illiterate, about 45 percent does not have a high school diploma. In some rural counties that percentage is as high as 70 percent—70 percent without a high school education.

Not only is it the right thing to do, the only way to lift this State up economically is to give these folks the training and education to compete. I am also proud to tell you that the business community knows this and we are all working together to do something about it.

I am particularly excited about a project that will be operational October 1 in the Yellow Creek area near Iuka. Thanks to Frito-Lay and several other private benefactors and the Mississippi Office for Literacy, we are outfitting an 18-wheeler trailer-tractor rig with the latest computer technology to travel to different work sites to do basic skills training. This will bring the most innovative interactive video technology to rural Mississippi to give our workers the skills they need for the future.

Another literacy program that has a different focus is a program in Rolling Fork in Sharkey County. Annie Brown is a volunteer and through tremendous energy and effort and heart has formed a large community group connecting churches with community organizations offering several different types of skills and literacy training to the people in her area. This is clearly a grassroots program and it is most successful because it came from the needs and the leadership of a particular community.

Of equal importance to the economic strength of our State and country is the need for adequate child care. I believe that everyone is aware of the statistics about our changing society with women in the workforce. Child care in rural areas requires a special approach. In Mississippi, one in five rural families live in poverty. In seven of our rural counties, from 30 to 40 percent of all families live in poverty. The supply of licensed child care in these areas is far too small and where it does exist, many times it is too expensive for the families to afford. And what of those families which are headed by welfare recipients who do not work because they are not trained and could not afford child care even if they had the work? There are projects that are trying to address these needs.

In Greenwood, a community based organization has become a "HIPPY" project. This is an acronym for home instruction pro-

gram for preschool youngsters, and it is a real attempt to break the cycle of poverty. It teaches mothers to teach their own preschool children and it benefits both the mother and the child.

We have another project in Hazlehurst with teen parents. It offers these young children of these teen parents child care at the high school while their mothers can complete their high school education.

So the connection between child care and rural economic development should be imminently clear. Not only does it address the needs of the working Mississippians, and not only does it begin to address ways of breaking the welfare cycle, it also addresses the requirements of the workforce 15 to 20 years down the road by looking at these children today.

The people of rural Mississippi embody the strength and tenacity that we must have to bring a healthy future to our State. It is our responsibility as community leaders, as State leaders, as national leaders, to help give them the skills and support that will make that future happen.

Thank you.

[The prepared statement of Mrs. Mabus appears at the conclusion of the hearing.]

Mr. ESPY. Julie, we thank you. I have a couple of brief questions.

First of all, let me compliment you on the testimony and echo the first point of your presentation. The fact that we do have to have leadership, we have to have some of our public officials in Mississippi to know that the eradication of human deficiencies really does represent an element of economic development. I have to say in one of our statewide newspapers yesterday, there was a comprehensive article documenting the fact that in the early 1960's some of our Washington leaders endeavored to keep Federal money from Mississippi. And this is money at the time, Mr. Chairman, that was relatively free-flowing, money into the head start programs around Mississippi. And there was a conscious effort to prevent that money from coming here. I cannot tell you what kind of damage that would do to a State like ours. Fortunately Ray and certainly you have done a lot to combat that.

I want to know what, in your effort to eradicate illiteracy, how willing has the private sector been, the CEO's and the Fortune 500 companies, in helping you to do that?

Mrs. MABUS. I think the point that I made earlier is really coming home, and that is that the business community, the CEO's, the people that are running companies all over Mississippi, the chambers of commerce, are finally beginning to understand that illiteracy is more than a problem that affects those folks down the road. They are finally beginning to understand it affects their own pocketbook. And unfortunately, helping in the problem with illiteracy because it is the right thing to do is not enough.

Now that it is beginning to affect the bottom line, now that companies are beginning—and the State as a whole is beginning to understand that it is an economic issue, people are coming forward. In this community, George Walker has been very, very instrumental in helping put his company forward in training and education for his employees. This is—it has to be an effort that government and the private sector work hand-in-hand. It cannot be done alone

by the private sector, it cannot be done alone by State, local, or Federal Government. These two entities have to work together, and it is beginning to happen in Mississippi.

Mr. ESPY. Thank you.

Let me also ask you, it is one thing to provide a tractor-trailer that would travel into the respective communities around Mississippi, but it is another thing to get the patrons to take advantage of that. There has to be a certain amount of stigma attached to it, you do not want to let folks know that you do not know how to read, you might have been sliding by for years, so you might be embarrassed. What kind of educational effort and outreach effort do you have ongoing to get the folks from the home into the trailer?

Mrs. MABUS. You bring up a very important issue with literacy and that is that the people that we have to focus on are the adult learners, and it is a very difficult thing to say I cannot read or write or I have problems reading and writing. What a business can do is with a lot of sensitivity and without any threat to the employee, find out, maybe through private interviews—there are lots of methods of doing that—but find out what the education level is in that particular company and with the understanding that it would help them, be good to come forward and say I have a problem, because if they do, they will be able to go through some sort of training program. But you can also do it just in a general sense. It is more than just the adult who has problems reading and writing. Business has to be committed in all levels of its workforce to offer continuing training to the adult workforce. It can be looked at as an honor rather than a stigma.

Mr. ESPY. Thank you.

And last, we have several child care proposals floating through Congress now; Chris Dodd, the ABC bill, and others that you know about. Which one would you favor, which one would you recommend that we enact?

Mrs. MABUS. I will have to tell you I just want a bill.

Mr. ESPY. OK.

Mrs. MABUS. I want a piece of legislation. It may not be—child care has been extraordinarily controversial since it was vetoed nearly 20 years ago and the first piece that we get out might not be the first piece, but at least it will be a start. And the fact that the Congress and our State legislatures are talking about child care now without a sneer I think is a big step and I will be grateful for a piece of legislation.

Mr. ESPY. Thank you. Mr. Chairman.

Mr. ENGLISH. Thank you very much. I think this is the first time we have had a first lady testify before this subcommittee and I want to say that we are very honored, we deeply appreciate you for doing this and want to commend you for the fine work that you are doing in education here in Mississippi. I think you are setting a fine example for other first ladies around the country and you are to be commended.

We have various needs; rural education, again, is one of these areas that is different. As I understand from what your testimony is indicating, most of it is not a question of having school systems available or that you do not have courses available, but it is a case

of getting people to the school and making sure they stay in school and receive that degree and have son kind of education. Your testimony was reminding me that recently we were in New York City and one of the company executives there was telling us that one of the reasons they are thinking about moving out of New York City is due to the fact that the young people they have coming out of the educational system there simply cannot meet their needs, and that this company was having to set up educational programs within the company to train those people to perform secretarial or other skills that might be necessary. This was one of the areas that he thought rural areas might really be in a position to have a leg up.

So I think that perhaps the effort that you are putting forth here should be viewed from the standpoint that you are in a competitive-type situation against some of the major educational systems. A place like New York City simply, because of the fact that their school system evidently has detericrated to the point that they do not produce a student who can handle what would be commonly accepted tasks of a high school graduate, so it is a situation where I think there is an opportunity, an educational opportunity for rural areas. You are to be commended.

In my own State of Oklahoma, particularly out in the western part where we have great distances, we are very interested in the STAR satellite program that is being talked about a good deal. Also education obviously comes under a different committee. We are working with the Education and Labor Committee in trying to determine which educational programs from the past have not been different. The education programs coming from Washington have been programs designed for urban education, not for rural educational problems and we are trying to see if we can differentiate between rural and urban and get some programs that are tailored more for rural areas as opposed to urban areas.

In rural areas of Mississippi, is there a lack of teachers to teach young people? Is that a part of the overall difficulty that you are facing here?

Mrs. MABUS. I think by bringing up the problem with New York, in a strange way that problem is probably similar to rural Mississippi, and that is—and to all parts of the United States—our educational system in the last 30 or 40 years has just not worked for the students. And the way you can measure that is to look at the illiteracy rate in the United States compared to the illiteracy rate in Japan. To look at the educational system and what it is producing in this country, and we have to look at education I think in a new way, look at it also not just in terms of K through 12, but look at it in terms of those children and their abilities to compete when they start kindergarten, those at-risk children. Also you have to look at it in terms of continuing education for adults, sort of a continuum of education.

Also in Japan, their business community figured out a long time ago that they have to work with the education system, if you will, and provide education for workers. So it does not just stop at 12th grade or the comparable level in that country, it is a life-long thing, and businesses have committed resources and time and energies to educating their employees. And that is a philosophy that we

have not necessarily adopted in this country. I think what has to happen is that the private sector has to become much more involved and interested in the educational process and we have to rethink education and start looking at the student and why is that student dropping out. What is the educational system not offering that student. Begin to look at the system itself, what is it not offering, why is that child bored, why is that child dropping out. Begin to rethink. That is a big order, big request, but if we do not start doing it, then the disparity between productivity in our country—and it is not just competition between Jackson and Memphis or Jackson and New York, it is competition between Mississippi and foreign countries or the United States and foreign countries—then we are going to fall farther and farther behind.

Mr. ENGLISH. That is an excellent point. I think far too many times people, whenever they think of education, look at it more from a social standpoint than from a business standpoint, and probably the greatest threat is not socially but from a business competitive standpoint. We talk about Japan a lot and certainly Japan is extremely competitive and there has been a great deal of attention directed toward Japan. But take a country like Korea where we have seen tremendous advances in their focus from a competitive standpoint. Their gross national product is increasing at such a rapid rate that unless our country begins to focus on this, we may very well see, shortly after the turn of the century, Korea catching the United States as far as output on gross national product. Now I think that is difficult for a lot of people, and particularly a lot of business leaders to understand. But that ought to underscore just how perilous the situation is.

The business leadership of Mississippi and of this country had better wake up and understand what is going on. Somebody said wake up and smell the coffee, because I guarantee you it is getting pretty stout out there. We are not competitive, and there does not seem to be much of an emphasis on understanding and recognizing that. So I would commend you for your efforts. The economic potential that you could bring to the State of Mississippi would be outstanding. I know, as I said, being commended from a social standpoint is great, but the business community had better stand up and applaud what you are saying because you are leading the band to prosperity for this State. You are to be commended.

Mrs. MABUS. Thank you.

Mr. ENGLISH. Thank you. Give my best to the Governor. It is my understanding the Governor is a former employee of the House Agriculture Committee, so all of us who are former staff members who are now elected officials congratulate him and give him our best.

Mrs. MABUS. Thank you.

Mr. ENGLISH. Thank you very much. Thank you, Mr. Chairman.

Mr. ESPY. Thank you, Julie.

Now let us call the third panel. This panel will be on public sector initiatives. We have the current State treasurer, Marshall Bennett; Wilbur Hawkins, who is the executive director of the Lower Mississippi Delta Development Commission; Mr. Don Hines, who is here today on behalf of Governor Guy Hunt from the great State of Alabama; and Mr. Pat Thomas from the Delta Regional

Procurement Center. Listed on the program is Mayor Robert Walker of Vicksburg, who I do not see in the audience, so let us proceed with this panel.

Again, gentlemen, we would like to hold your comments as close to 5 minutes as we can. If we could focus more on innovations on the public side, things that you can tell us the Federal Government or the State government ought to do to spur or to encourage local economic development, we would appreciate it.

Mr. Treasurer, it is a pleasure to see you here today and let us begin with you, sir.

STATEMENT OF MARSHALL G. BENNETT, TREASURER, STATE OF MISSISSIPPI

Mr. BENNETT. Thank you, Mr. Chairman, and with all deference and respect, Chairman English, it is a great pleasure to call our own Congressman chairman of this subcommittee, and thank you for passing the gavel to him.

I am Marshall Bennett, treasurer of the State of Mississippi. I live in Jackson our beautiful capitol city, but was born and grew up in Holmes County in the Second Congressional District and that is where the land is some of the richest in America and where the people are some of the poorest in America. There is nothing wrong with being poor except you do not have any money.

My business is money. I sit on the State's economic development board, the State strategic planning commission, the State development bank, the State bond commission, the State retirement board, so I have an overall perspective of how money works in our State. And I want to commend you, Chairman English and Congressman Espy, for your commitment to the people of this Nation to build rural America. Please do not let the budget restrictions terminate the hopes of rural folk in America.

Now rural may mean a lot of things to a lot of different people. It may mean nonurban and hunting and fishing, which we all like to do, and it may mean a close tie to agriculture. But it also can mean inadequate water and sewer systems, substandard housing, loss of population, the plight of bankrupt family farms and poverty for jobless and low skilled. It can also mean that local government is hampered by the lack of funds and resources.

Now I have three specific proposals for you that I would like for you to consider in this session of the Congress, and that is concerning:

One, the Farmers Home Administration. It has been a great boost to rural Mississippi in providing low-interest loans for homes and apartments for people to have a place to live. It has provided loans to water associations and for small communities and towns in the State to borrow money to build water plants and sewer plants.

Under the Federal Deficit Reduction Act, the Farmers Home Administration has allowed these cities and towns to buy back their 20- or 30-year loan at a considerable discount, maybe 25- to 40-percent discount. Some of the cities and towns have not even had enough money to buy back their loan, which would have saved their taxpayers millions if not hundreds of thousands of dollars. This is an optional program with Farmers Home. There is consider-

ation to offer these buybacks to the private credit market, to commercial banks. What I am urging the Congress to do is to make this a statutory requirement, that our cities and towns, our local communities get the first option to buy back their loans before their loans are sold off to some private credit enterprise.

Two, I would like to highlight to you House Concurrent Resolution 39, which is on the tax exempt bonds. As you know, the Supreme Court of the United States in *South Carolina* versus *Baker*, has recently said that the Federal Government can tax our local bond issues and this House Concurrent Resolution expresses the sense of Congress against taxing State and local bonds. These bonds were issued to build schools, roads, bridges, jails, water treatment plants, and hospitals. Gentlemen, if these bonds had been taxable over the last 10 years in Mississippi, our taxpayers would have had to pay an additional $1 billion in funds, in their tax dollars. America, if all of these bonds were taxable, would have to pay over $30 billion. So we understand that the Federal Government must find revenue to reduce the deficit, and we support that, but do not put the burden of that revenue on rural Mississippi.

Three is that Mississippi is not waiting on the Federal Government to do anything. Mississippi is putting its money where its mouth is. Through the Mississippi Development Bank, we are able to pool the resources of cities and towns to issue bonds for water and sewer improvements and get a good bond rating and a good credit rating by pooling the resources of many communities. And therefore, it will cost taxpayers a lower amount on the interest they have to pay on bonds. We also have a criteria that cities and towns must meet to be eligible for this pooling. They have to have adequate revenue from their users of their utilities and they have to have sales tax of a certain amount. That leaves some of the depressed communities in the Mississippi Delta without entry into the State bond bank, if you will. We think that Farmers Home Administration, through grants for those communities that do not qualify for credit in any other sector, ought to be there and be made available for the citizens of those communities.

Mississippi also has an emerging crops program. We have put $10 million to pay interest on loans to farmers that are getting into new kinds of crops in the State, promoting agriculture, aquaculture, horticulture, blueberries, muscadines, Christmas trees, anything that is out of the ordinary in that particular area, this developing and emerging crops program will assist farmers in getting into new sources of income.

The Mississippi Small Enterprise Development Corp. has $20 million available to assist businesses of under $1 million capital. These are small businesses in small communities. This program is designed to assist them in their fixed asset financing.

So anything that Congress can do to enhance the ability to use these programs through either deferred taxation or elimination of taxes on these types of loans and businesses, we would urge you to do it. Mississippi is on the move. We have pockets of prosperity just as we have areas of depression. Our per capita income is up, it leads the southeastern average in growth this year. We have had sustained economic growth for the last 4 years in a row. These are good signs.

But, we find that our most valuable commodity is our people and their willingness to work to improve their own conditions. With this Congress, which is the greatest legislative body in the world, focusing its attention on rural development, we know that we can have a brighter future for some of America's best and that is the good folk that live in the Mississippi Delta.

Thank you very much.

[The prepared statement of Mr. Bennett appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Marshall. Before we ask questions of you, we would like to hear from the other panelists.

Mr. Hines, thank you for coming and thank you for representing Governor Hunt in Alabama.

STATEMENT OF DON C. HINES, CHIEF, PLANNING AND ECONOMIC DEVELOPMENT DIVISION, ALABAMA DEPARTMENT OF ECONOMIC AND COMMUNITY AFFAIRS

Mr. HINES. Thank you, Chairman Espy, Mr. English. Governor Hunt sends his regards and expresses his appreciation for allowing us to come before you this morning. As a native of Benton County, Mississippi, I would like also to express my appreciation to be here and to meet with you.

Alabama is not a wealthy State, as neither is Mississippi. One of Governor Hunt's strong commitments was that all Alabamians be allowed to share equally in the economic growth of the State. As a result of that, some 2 years ago we undertook a major rural development initiative that would target existing State and Federal resources to distressed counties in the State. My staff and I have spent some 30 weeks in the last 2 years on-site in some eight distressed counties in Alabama attempting to deliver economic development programs.

I think we all accept the fact that no substantial amounts of new money are likely to become available through our programs, given the national and State problems of a budgetary nature. Therefore, it is important that we utilize what resources we currently have to the greatest extent we possibly can.

Recent Senate proposals have indicated the development of new delivery systems that would fragment existing efforts of both State and Federal agencies. We stand in Alabama in strong opposition to the creation of new delivery systems. We believe that the ingredients for rural development are currently present in both Federal and State programs and the result should be that these programs are linked in a formal manner that will ensure that what resources we do have and what other resources we can find, are targeted to our rural areas.

The Alabama initiative includes some 40 State and Federal agencies who have entered into voluntary cooperative agreements to target these counties.

From the Federal perspective, the key agencies involved have been the Farmers Home Administration, the Economic Development Administration, the Small Business Administration, and in the northern part of our State, the Appalachian Regional Commission. All of these agencies believe that their missions clearly relate

to the economic development problem and have joined us voluntarily and with great enthusiasm to help us bring about development in these areas.

This program in the eight counties that we have been into has resulted in some 600 new jobs. These jobs have been 25 here, 30 there, generally small firms, manufacturing based industries located in the counties. We have also been able to address quality of life problems relating to rural water systems, wastewater treatment systems and these areas.

We believe that the primary rural development problem has to do with low educational attainment, a low-wage, low-skill workforce and a significant lack of economic development infrastructure; specifically water, wastewater, and deterioration of rural roads and bridges.

We are aware that local governments have not found mechanisms to replace revenue sharing and since that time we have seen further deterioration in local infrastructure required to support economic development.

We also see in these rural counties a declining industrial base. The declining industrial base is primarily of low-wage, low-skilled industry that has gone offshore. Even with our efforts to recruit specifically this type of industry to match the workforce available, this is becoming more and more difficult to accomplish.

We sincerely appreciate this committee's interest in rural development and pledge our support to any activities that can help us to bring more Federal agencies, more players into this process, and to create a coordinated and directed rural development effort.

Thank you.

[The prepared statement of Mr. Hines appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Mr. Hines.

Mr. Thomas.

STATEMENT OF P.L. THOMAS, DIRECTOR, DELTA REGIONAL PROCUREMENT CENTER, INC.

Mr. THOMAS. Thank you, Congressman Espy, Mr. Chairman, for the opportunity of being here and I appreciate this opportunity of being able to give you my observations and feeling about some of the things I feel can help the rural community in the State of Mississippi.

I am basing my remarks upon a lot of years I have had as a procurement specialist with the Army Corps of Engineers and also the last 2 years in moving throughout the delta area as director of the Delta Regional Procurement Center in trying to interest the people in the delta area, or rural area of the delta, and so forth, in Government contracting.

It is my opinion that Government contracting can be a definite factor in the economy of the rural area of the State of Mississippi. The people that I have met throughout the State as I move throughout the areas are very special people. I have attended a lot of meetings and done a great deal of talking to these people in trying to enlist them in this effort that we have. But every one of them are interested in making a better community and they are

trying to make a better place for their family, all of them in these areas are very interested in education, cutting down on crime and drugs and all of these types of things, and all of them are willing, as I have said, to put forth almost any effort to accomplish these things.

The Mississippi rural area has so many great things going for it, its people being first of course. Then the natural resources we have, the climate, water, and transportation and all that we have is so great. So we really have the potential to really accomplish something good in this area.

Of course there are many factors that are involved in the economic development of the rural areas, but one of the ones of course is the one that has top priority now and rightfully so, is education.

The next thing we need so badly is decent employment and this is what we are striving for.

The points that I am going to bring out here are suggestions and some that the Federal Government is already involved in and some that they are not involved in to a great extent, but which I feel would be helpful if they would get more involved in.

As you know, there are a lot of dollars being spent in the United States by the Federal Government for defense contracting and General Services Administration and so forth. And we would like to get a larger share of these dollars into the rural community of Mississippi if we possibly can. We can only do this by contracting. Government contracting of course is not for everyone and not everyone wants to take part in it, not everyone has the capability to take part in Government contracting because of the restrictions and the simple difficulty to accomplish a good contract.

But we do have that potential in a lot of areas and we have some excellent firms that can do this. But the first thing that we need to do is to train the people that we have that are already involved in these small businesses and small firms, which I am speaking of mostly at the moment, train them to produce a quality product and to do it in a reasonable time and give a good delivery. This is one of the areas that we really need to work on. We need to have our products qualified, we need to go through the quality control process for the Federal Government. The products that the Air Force and the Army and all use, they must be qualified and we have to train our people to be able and show our people how to get their products qualified. We are already doing some of this, but we still have a lot of work to do here.

They need to have a quality control system set up in the plants and the Federal Government can help this with training and so forth that they have.

We need to—and this is something that I would like to see the Federal Government get more involved in, especially some of the Defense agencies, is sending people to instruct firms on how to implement these very, very detailed specifications that goes with the product that they have. Not only on the manufacture of the product, but on the packaging and the shipping and so forth of these products.

To develop these small firms I think it would be very beneficial to the national security of the United States to train as many of these firms throughout these areas as they can to be capable of

producing these quality products that they might need, especially component parts that would go into military hardware perhaps and to other things like this. I think it would be very beneficial to the Federal Government to do this. And not only would it be training a good workforce for this purpose, but they would be doing a great service toward the economy of the States. And this is something that I feel would be of a great benefit to both the people and to the Federal Government.

I think too that—another area that comes to my mind is for a small business firm or a business firm that needs it, that we might be able to utilize—the Federal Government might be able to let us utilize surplus property that they have stored that is under control at Battle Creek and also General Services Administration. I am not speaking necessarily of the property that is in the hands of the Mississippi Surplus Property Commission, but I am speaking of products that are stored, stockpiled and so forth by the Federal Government. Perhaps the small business firms, where they need it and can use some of this property, maybe on a loaned basis or maybe on a basis where they could pay it back or something like this, but let them use this material and this property to get their contracts going and to produce for the Federal Government. This would be something I think would be well worthwhile looking into somewhere down the road. From experience I know—I have a feeling for about how much property and all is stored throughout the United States, I used to work in this area some, so I know something in that line.

Another area that we are working in and I think that we need to put more emphasis on is in the subcontracting realm. One that is fresh in my mind at the moment is Yellow Creek with Lockheed being, and Rust Engineering and them being involved in this, is to get as many of our people in this area, our rural areas, involved in subcontracting with these large defense contracts and also any of the Federal Government contracts that we possibly can, get as many of them involved in this as we can. We are working on a program now to get information out to the people so that they can take part in it, but I think this is a great opportunity for the people and a real good chance for them to improve on the work that they are now doing.

Another one that I have worked with and I urge you all to continue to support is the Small Business Administration, Small Business Development Centers of the State, as they assist the small businesses throughout the State in training and developing their business plans and so forth. They do a great job in this area and I strongly recommend that we continue this. This is very important to people throughout the State. Their loan program is great. The small business 8(a) program is great for a lot of them, they have been very successful in this. And this is something that is very beneficial to the State and I urge that we might be able to expand upon this some. As I understand the 8(a) program is being simplified to a degree, Congressman Espy probably had a hand in this to a certain degree. But that is a good area there.

But another, the last one I had is recommending the Small Business minority program, more set-asides or programs for the labor surplus areas, more set-asides perhaps in some areas for our minor-

ity firms so they could take part in this, and the minority and set-aside program in general is very important to the development of these small business firms throughout the Mississippi Delta.

These are some of the things—there are many more that we could look at but due to time restrictions and all, I will not try to go into those, Congressman, at this time. But there are a lot of areas in Government contracting that I think can be a major factor in development of any community. There is good money to be made here, but I reiterate it is very difficult and training and a whole new attitude, a whole new thinking has to be done when it comes to contracting this way. It is very important though that we take a part in this.

I just give these to you for your consideration and if you have any other questions I will be glad to answer them sometime down the road. I appreciate the time very much.

Thank you.

[The prepared statement of Mr. Thomas appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Pat, for being here and thank you for your testimony.

We will now move to Wilbur Hawkins, who is appearing on behalf of the Lower Mississippi Delta Development Commission as well as its chairman, Governor Clinton from Arkansas. Thank you, Wilbur.

STATEMENT OF WILBUR F. HAWKINS, EXECUTIVE DIRECTOR, LOWER MISSISSIPPI DELTA DEVELOPMENT COMMISSION

Mr. HAWKINS. Thank you, Congressman Espy and Chairman English. For the sake of time, I will just give you a few examples and an overview of what we are trying to do with respect to the Lower Mississippi Delta Development Commission.

As you are aware, we cover 7 States, 214 counties from Illinois to Louisiana. Some of the problems and conditions and examples that you have heard today and you will hear today are really typical of what we have throughout the Mississippi Delta Region. What we are doing, similar to what you are doing, is hosting public hearings and listening sessions to actually hear what the people have said. We have had hearings in Illinois, Missouri, and Tennessee and this week we will have one in Kentucky. We have had over 100 hours of testimony rendered by the public at large.

What we are trying to do as a part of our report is to identify strong examples of initiatives that involve public/private partnerships, creative uses of Federal revenues, State and local initiatives and projects and demonstrations which serve as models on how individual citizens are concerned and involved in improving the conditions of the delta.

The delta is rapidly moving to identify and evaluate these self-help models in a new light. I think we have to look forward to more quantitative results in our effort to replicate. Additionally, we are working to identify nongovernmental resources that are available to help us address economic development. The private sector is one, foundations on both a regional and national basis have been tremendously helpful to us in this process. Our goal is to

make sure that the delta is an area where our youth need not leave home in search of jobs.

I think that in an effort to support this initiative, we can focus upon two things; one is, we do need additional support for our educational initiatives. In consideration of that, perhaps we need to look at an educational bill similar to the GI bill that many veterans were able to go to school on. This bill afforded individuals an opportunity to go to school after their Federal service and I think that what we have to look at is our youth as an investment and afford them an opportunity to go to school on the basis of their future service to this country.

Additionally, I think that we need to look at creative capital development. We are looking at first what we can do for ourselves and have done for ourselves and then we are exploring what you as Federal legislators can do to help us in our initiatives. I think also we can look to market studies. There are tremendous markets out here that the delta as a region has the human and natural resource capacity in which to compete.

And finally, I think that as we look for a more competitive capacity—and it has been said before that more Federal procurement goes to Puerto Rico than to the Lower Mississippi Delta Region—we are not in conflict with Puerto Rico, we want them to get what they can, but it is important to realize that we have the capacity right here in the delta to produce everything from catfish to Sanyo televisions. And as we go into our fifth month and as we look toward our 18th month, what we really want to do is to help you develop the 1990 farm bill.

I think that there are some creative uses of Federal programs that can take place. In particular, as we look toward diversification of the agribusiness economy, as we look toward planning for the year 2000, I think that we have to look to the rural communities because not only do we have the human resource capacity, but we also have the natural resources. And then finally, we are promoting "delta made." I think there is a tremendous amount of ignorance and cynicism on the part of Washington with respect to the capacity of rural communities and in particular the delta. We are not only promoting what we can do internally, but what we can do externally in terms of exporting our products outside of the region, but also outside of the country.

With that, I would like to conclude and remind you of one thing, that we here in the delta want a helping hand up, not a hand out, as we aggressively move to become a full partner in the economic mainstream.

Thank you.

[The prepared statement of Mr. Hawkins appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Wilbur.

To Wilbur, Pat, Marshall, and Mr. Hines, I really do appreciate your testimony.

Marshall, if I can use you to gripe 1 second. The first element of your testimony involved the Farmers Home Administration and the fact that they do have money to fund low interest loans; for instance, water, sewer—water systems and sewer systems. They do have such money. My problem with them, frankly, is they do not

have the requisite capacity to care, to use that money for good as they ought to. I cite specifically a case in the lower part of my district, Mr. Chairman, a community down there, 60 families equally divided between black and white, and they have never had running water—they have never had running water in the lifetime of that community. And Mr. Chairman, it is not as if they have not tried.

Fourteen years ago they formed a water association and they levied dues and this, as you would understand, is sort of an impoverished community, and they lobbied the Farmers Home Administration for 14 years to try to get some infusion of funds into that water association to extend the water line into a community now known as Blue Hill. Those efforts, Mr. Chairman, fell on deaf ears. Some of the more affluent members of that community could afford a deepwater well and they, in the spirit of volunteerism and charity, shared some of the water with their neighbors. Then the bridge went out and separated them from the larger community, 20 percent of the community, Mr. Chairman, found some way to get a cistern, so when rainwater would collect on the roofs it would fall down into the cistern and they could bathe and cook and clean. But the chairman is aware that except for this year, we have had a drought spell in Mississippi and so there was no rainwater and the cistern was empty. So the greater part of the community would have to take a truck—or by foot walk—to a stream 2 miles from most of the homes, and because the incline was so steep they could not jump down, they had to take a rope and tie it to the end of a bucket and fill this bucket full of water and walk back home to use to cook, clean, and so forth.

I find it incredible that we have these kind of conditions in our State that are tantamount to conditions that exist in Cuba and Costa Rico and Nicaragua in 1989 when we celebrate 20 years of landing a man on the Moon. It took us 20 years longer, Mr. Chairman, to run a pipe 8 miles to someone's home than it took us to send a man 240,000 miles to the Moon. And Farmers Home had the money. It took us 6 weeks to secure a commitment from Farmers Home for $156,000 to provide the money to extend the water line to these people. It is just that they did not care. The application was at the bottom of some bureaucratic heap somewhere.

So excuse me for imposing on your time, Mr. Treasurer, but I get really frustrated about it. We hear you say no new programs, but I would just say that sometimes we do not need new programs, we already have the money, it is just that we do not have the requisite care that it takes to implement the programs in the best way.

Marshall, I understand that—you talked about the emerging crop program in Mississippi and that certainly is a fine program and it is being also I think replicated in States like Texas and elsewhere in the South, but I understand in Mississippi that has not taken off as we expected. What is the problem and what can we do to help?

Mr. BENNETT. Well it is a problem that will involve some legislation. The legislation that was passed did not have a provision in it for the State economic development department enforcing its lien, so to speak, on any monetary assistance it would give to the emerging crops producer. The emerging crops program is designed for the State economic development to pay the interest for that farmer for

5 years and there was a bug in the system where if the farmer did not pay his principal, there was no, I guess, priority lien the State would have to secure its interest. So with that legislative change coming up in the next session, the program should be getting off the ground at a much faster pace. There are loans that are out, I think there are 19 or 20 that are out now, that involve emerging crops.

Mr. ESPY. Thank you. And with regard to another program or act you mentioned, the Mississippi Small Enterprise Development Finance Act, how cooperative have the commercial banks been in issuing letters of credit guaranteeing the repayment of these loans? Have you found a great degree of willingness on the part of the commercial financial community to interact with you?

Mr. BENNETT. That program was designed to give local banks the first option or opportunity to participate. We have $7.5 million already committed through letters of credit for banks all over the State, and the bond issue will go out in September to finance these. We have a $20 million commitment on the State's part and we have $7.5 million already placed in communities throughout the State. The letters of credit concept is to some rural banks maybe a little sophisticated and our economic development department is trying to work with rural banks to get them up to speed on the way that these letters of credit operate.

Mr. ESPY. Thank you. I have a lot of questions, Mr. Chairman. In fact, I may submit some in writing to these panelists to save some of the time, the testimony has been so great.

To Mr. Hines and to Wilbur, let me just combine a question to both of you. Mr. Hines, you talk about the fact that we do not need any more delivery systems. I am not so sure that Mr. Hawkins would agree with that inasmuch as he is director of a program that does represent a new program and we have to—he has to rather, convince Congress to accept this and to accept the recommendations.

But Alabama has had the ARC since 1964 and in that period of time Congress has appropriated approximately $7 billion to the programs to improve the condition of the State, as we know, that exists in Appalachia. Alabama also has the TVA within its impact area and that certainly has been a program that has inured to the benefit of the region. And Mississippi, to a certain extent in the TVA area, we have the northeastern part of our State but the predominant part of our State is not included in that.

But Alabama is still poor, Alabama is still needy. Have these programs failed? And if they have failed, what kind of solace can Mr. Hawkins give the Congress to come to say OK, we are going to model the Lower Mississippi Delta after the ARC and this is what we need.

Mr. HINES. I think you are aware, Mr. Espy, that the Alabama delegation has very strongly supported the Delta Commission and believes that its mission is similar to the Appalachian Region Commission of sometime in the past. But to answer your question have these initiatives failed; no, they have not failed, but when you look at the overall funding that has been provided into economic development through these programs—for instance in the Appalachian Region Commission, we receive about $2.3 million in economic de-

velopment funds each year. The Community Development Block Grant Program is $25 million, it covers the entire State.

Mr. ESPY. So you are saying but for those programs, the State would not be as poor—is that what you are saying?

Mr. HINES. I think that is what I am saying. What I am saying is the Appalachian Region Commission has had very beneficial activities in the State, but there really has not been sufficient funding to accomplish much in that program. The highway program, of course, those funds are earmarked for highways, the corridors are moving along, but that program is not a significant monetary program for the State of Alabama as compared to the Community Development Block Grant Program and some others. That is the point.

Mr. ESPY. Wilbur, knowing what you know about TVA, you of course are a former official with TVA and you are certainly aware of the benefits as well as the liabilities in ARC, but now you are director of a brand new program. How are you going to come to Congress and encourage our urban brothers? Congressman English has so aptly said that we suffer from a 9 to 1 deficit, and it is very political. How are you going to come to say on top of ARC and TVA that we need a Lower Mississippi Delta Development Act and what differences would you propose?

Mr. HAWKINS. Mr. Congressman, I think there are a couple of things that you need to understand. First of all, we have to deal with ARC and TVA in perspective. TVA was created in 1933 and it had a specific mission, first of all for flood control and navigation of the Tennessee River and its tributaries. And economic development and electrification were outshoots of that agency. When you look at the 1960's and the formation of ARC, it was primarily to bring highway—a rural transportation system to the Appalachian region.

Since both of their inceptions, I think you will have to notice that TVA and ARC have both expanded and modified their initiatives. ARC has had its territory gerrymandered on several occasions to continue to expand and to do a number of things in severely depressed communities. What I think it is important for you to recognize with respect to the delta is that it has never before had a regional perspective. Therefore, you have had a number of initiatives that have taken place on the local level and maybe on the State level, but hereto before you have not had the Governors of the States talking or commissioners or regional impact focus. That is important.

But I think it is also important that you look at models that have worked. As I have said many times, the people in the delta have been able to do so much with so little for so long except weld the crack of dawn and they are working on that. So I think it is important that you realize that we need additional capacity building here in the region. But we do not intend to come to Congress and say to you all, here is what you can do similar to TVA, similar to ARC or similar to what you are doing in the Ozark region. What we want to say is, here are the things that we are doing for ourselves, models that work, things that we have done. Would you please in your policy deliberations and your program deliberations

and in your additional project fundings, make sure that the delta perspective is included for expansion.

You have heard on Medicaid or Medicare disproportionate payments, you look at the rural housing situation, we have a homeless situation. We have migrant workers within the region that need assistance, but the bottom line to this all is that the Delta Commission is not going to try to be all things to all people. I think that we have to focus our work on the doable. And as we narrow down, we are sorting through mounds and mounds of testimony, and it is important that you understand that in a complementary role, what the Federal Regional Procurement System is doing, we can do more in terms of Federal contracts coming into this region. We have the capacity.

So I do not think that there needs to be anything other than a regional coordinating focus at this point and a mechanism to strengthen and challenge delivery systems that are already in place, and to monitor more closely in the future their qualitative results and the impact that they are having on communities.

Mr. ESPY. This GI bill that you mentioned, or something that would be tantamount or akin to the military GI bill, what would that entail, Wilbur, and how would you bring that to Congress?

Mr. HAWKINS. I think that what you have to do, Mr. Congressman, what we are doing now is focusing upon looking at programs that have worked in the past. We have gone down the road so long and we are trying to say where are the simple solutions to our problems. You heard First Lady Mrs. Mabus, talk today about the educational emphasis that Mississippi has, the same is taking place in Louisiana and in Arkansas. But what you also have to realize is that States can only do so much to address the problems that face them. We are either at the top of every bad list or the bottom of every good list, and what I think that Congress ought to say and the Delta Commission ought to say to the youth out here is if you do right, we will see you through. That is what you said to the military veterans, if you go serve the country and do right we will see you through.

The impact that that has had on the country has been to train future leaders, to train future workers. What we have to say to our rural youth is if you do right, if you stay off drugs, if you go to school and get an education; to parents, if you support the literacy effort, then this country will see your child through in hopes that they will be a productive citizen. In that case we can then look to getting doctors and dentists that we need within our region homegrown. We can also get teachers that we so desperately need, and other capacities. And I think that is something that needs reviewing.

Additionally, I think that when you start looking at the capital base and what it takes to actually maintain and support a child from birth through 21 years or 18 years of age, it is not too much to ask that we make a future investment in the child's development in that form.

Mr. ESPY. Thank you. Pat, you are here today lobbying, and basically you mention in your testimony that we need more set-asides for minority firms and more set-asides for disadvantaged businesses and more set-asides for small business enterprise. The challenge is

to use what we have a little bit better and to use what we have more efficiently. I cite to you, sir, the fact that we do have a program called Public Law 99, I believe 661.

Mr. THOMAS. Right.

Mr. ESPY. Which is a Department of Defense set-aside that the DOD would carve out 5 percent of its procurement business annually to do business with disadvantaged firms. I can tell you, Pat, we had a heck of a problem this year extending this public law because it had never been utilized to its fullest extent. We have never done more than 2.3 percent of the Pentagon's business with minority firms—never more than 2.3 percent. And then when we got up to argue for the extension of this public law, some of our colleagues on the other side, on the Republican side of the aisle, said we do not need to extend it because it has not done its work.

Mr. THOMAS. Right.

Mr. ESPY. What is the problem? Why do we need more when we have not reached the ceiling on what we have already and why have we not and what can we do about it?

Mr. THOMAS. Congressman, it accomplishes several of the things I was talking about. One of them in our area is getting our product qualified. We have some excellent fabricating factories, we have some excellent manufacturing concerns and so forth, that are right on the verge of being able to produce a good Government contract. In dealing with DOD, when they ask for a product, they give you the specifications to go with it. There is one little thing that is very minor that sometimes holds us up, is that when you come out with a set of specifications, they come out with the specifications written on aperture cards and this is on microfilm. All right, a lot of these firms out here in the delta somewhere, they do not have—maybe they can find a reader at a library, but they do not have a way of reproducing these, and when they are trying to find someone to reproduce them, the time has expired before they get a chance to really evaluate the thing. That is one thing that holds them up.

So going back to try to answer your question very objectively is that they are not yet in a position where they can take advantage of a lot of these set-asides.

Now the other thing that I was alluding to about the set-aside is that a lot of the Government agencies under the labor surplus area, the Department of Agriculture is doing a real good job of this now, is specifying certain things for labor surplus areas and also the set-aside for small business firms. The Corps of Engineers does a good job with this also; in fact, I think they meet their quota every year without any trouble.

But these are the things I am talking about. DOD has some great dollars to be spent this way, but we have to get——

Mr. ESPY. Five percent, sir, of $297 billion.

Mr. THOMAS. That is true, that is more money than I can imagine. But the qualification of our products and so forth is one of the deterrents in this area. Does that somewhat answer your question?

Mr. ESPY. So you are recommending that this committee or the Armed Services Committee or the Small Business Committee of Congress would focus its emphasis on training and quality control?

Mr. THOMAS. Right.

Mr. ESPY. OK.

Mr. THOMAS. That is what I ask that you all do, to get them in a position where they can do it. Now not only would this be a big benefit to the small business firms throughout the rural area of the delta, but this would be of benefit to the United States itself as a whole, especially in time of a national emergency, to have somebody to manufacture these products and spread them out over the United States.

Mr. ESPY. Well let me just announce to those assembled that this public law was extended, we did achieve that goal, Mr. Chairman, and it was included within the Department of Defense authorization and the appropriations bill. And I would just encourage all the small business vendors and the minority vendors here to really investigate this program, it is on the books and it just has not worked as well as I hoped it would and we can do something about that.

Thank you.

Mr. ENGLISH. Mr. Chairman, I have no questions.

Mr. ESPY. Thank you, sir. Then gentlemen, thank you for coming and we appreciate your testimony. The written portion will be made a part of the record, and thank you so much.

Now if I could take the prerogative to call Dr. William Sutton up. I am aware that Dr. Sutton has an urgent appointment and must leave pretty quickly. Dr. Sutton, thank you for coming, we appreciate your presence and we will hear from you at this time.

STATEMENT OF WILLIAM W. SUTTON, PRESIDENT, MISSISSIPPI VALLEY STATE UNIVERSITY

Mr. SUTTON. Thank you very much, Congressman Espy and Congressman English. As president of Mississippi Valley State University, I consider it a special privilege and opportunity to make this presentation to the House of Representatives Agriculture Subcommittee on Conservation, Credit, and Rural Development. On behalf of the faculty, staff, and students of Mississippi Valley State University and our other constituents, I express deepest appreciation for this opportunity.

I would first like to say that I wholeheartedly endorse the suggestion of a GI bill for education. Mr. Hawkins, I would be very pleased to work with you and any others to advance and to work out the details of such a replica of the GI bill.

The topic of rural economic development is most germane to the Mississippi Delta region and to Mississippi Valley State University as an institution of higher learning in the region. The goals, needs, and problems of the region have a strong degree of coincidence with the goals, needs, and problems of higher education in the region. Since I head an educational institution and consider education to be a critical factor in rural economic development, I will focus what I have to say primarily along these lines.

To approach the current concerns for rural economic development, some historical perspective is necessary. The Mississippi Delta, like most of rural America, has experienced a tremendous amount of outmigration over the last 60 or 70 years, as you have heard earlier today. In the delta region, this outmigration has been heavily along racial lines with blacks being a significant majority

of those who left the State of Mississippi. The overwhelming factor for this outmigration was and still remains the need for better economic opportunity. In this pattern of outmigration, Mississippi and the delta region lost some of its best human resources. In view of the outmigration pattern indicated here, it is interesting to note the impact of higher education for blacks on those patterns.

In the 1950's and 1960's and the 1970's, Mississippi Valley State University served primarily as a teacher education institution and was very successful in providing a supply of well-trained teachers for the delta region and the rest of the State. These teachers being top graduates and on the top level of their economic and social community, remained in the delta area and did not in any significant number join the outmigration trail that thousands of other lesser trained and lesser occupationally prepared blacks took.

The overriding factor between these teachers and their fellow contemporaries is that the occupational and economic opportunities of the teaching profession gave them a reason to stay here in the State of Mississippi and thereby contribute to the educational and economic development of the region.

I use that as an example to make the point that if there are jobs available, our people will stay in the State as they did in the 1940's, 1950's and 1960's in terms of teaching; they stayed pretty much here in the State and many of them are now reaching retirement age and did not follow the outmigration.

On the other hand, those people who did not have any preparation which would allow them to successfully live in an economic middle-class here in the State, found their way of moving out of the State. So if there are jobs in the State, if people are prepared for those jobs, they will tend to stay in the State. I regret to say that the thousands of college-trained professionals who resisted the trend of outmigration during the decade of the 1950's, 1960's and 1970's have now, in the 1980's begun to join the crowd of those leaving the rural areas in search of a better life in somewhat of a larger percentage than they had in the past. The difference with the trained professionals of the 1980's is that while their counterparts of the three earlier decades sought metropolitan areas of the East and the Midwest almost exclusively, the professionals of the 1980's have also set their sights on the growing urban centers in the South.

So now, in addition to the lure of Chicago, Detroit, and New York, there is also the lure of Atlanta, Dallas, Nashville, and yes, Jackson. So now, the rural South is being drained not only of its skilled and functionally educated workers, but it is also losing its most highly educated professionals. Therefore, for the rural South, the economic opportunity side of the dual effort must be boosted significantly while the educational side of the effort must be upgraded and kept on a steady pace of improvement. The educational efforts in rural economic development must focus on some particular goals which include, but are not limited to the following:

One, improving the literacy rate among the rural population;

Two, basic education preparation as a foundation for life-long learning;

Three, providing technical skills training for a modern technology workforce;

Four, providing higher education opportunities for the career preparation of a professional workforce; and

Five, providing public service to the community in terms of technical assistance, access to physical, cultural, and recreational resources.

Now the achieving of these goals by the educational agencies of a community makes the rural area more attractive to those elements of the public and private sector which need to be attracted to a community for economic development to take place. To focus on the higher educational level, the Mississippi Delta has four higher educational institutions; two community colleges and two regional State universities, which are impacting the economic development of the delta region but have a tremendous potential for a greater impact.

As an illustration of the higher education impact, Mississippi Valley State University serves as an educational, cultural, and recreational center for thousands of citizens in the Mississippi Delta. It directly impacts the economic development of the area through the redistribution of its income and that of its constituent population. This economic impact has been calculated by the Greenwood LeFlore Chamber of Commerce to be in the neighborhood of $25 million a year. Now through its center of economic development programs, which is based in our university, continuing education programs, and employment agreements with agencies in the community, the university contributes directly to the training, education, and employment needs of individuals who in turn become contributors to the economic development of the community.

Higher education in Mississippi in general and Mississippi Valley State University in particular has undergone some difficult experiences over the past several years in attempting to maintain the level of service that is necessary to contribute to the economic upgrade of the community. The fiscal years of 1986–87 and 1987–88 saw a tremendous drop in State funds for institutions of higher learning. For our institution, Mississippi Valley State University, this drop was an average of about $2 million or nearly a third of its State funding. While State funding for the 1988–89 fiscal year was better in that it brought the institution almost back to the level of funding which it had received before the decrease of the previous 2 years, the burden of the 2 years of decreased funding still weighs very heavily upon the university.

The impact of restricted funding for a higher education institution is felt directly in its ability to recruit and maintain a highly credentialed faculty, provide the resource materials for its instructional programs and maintain a functionally efficient physical plant. Any critical drop off of funding in any of these areas can affect negatively the ability of the institution to deliver essential services and can in fact threaten the existence of the institution.

Over the past couple of years you have heard that there is some discussion about having too many institutions. With the testimony you have heard here this morning, there is a question of whether we have enough institutions, if we are so far behind in terms of literate people in the State of Mississippi. The national average of high school graduates going on to college is about 70 percent or more. Here in the State of Mississippi, we have about 63 percent of

our high school graduates going on to higher education and many of them do not go to standard universities, they go to institutions which are not our colleges and universities, they are the proprietary schools. So this tells us that we really do need to look harder at where we put our resources.

In higher education, which is the vehicle for upward mobility for thousands of young people in the delta region, it is very important that these institutions be kept secure, viable, and progressive. Failure to do so would restrict higher education opportunities and cause a relative regression of economic progress. In addition to the needs of the institutions themselves, there are certain needs of students who attend these institutions that must be considered. Among these would be:

One, adequate financial aid resources for students with limited economic ability. And as you know, financial aid is in question and has been decreased over the past few years.

Two, family and community support units such as schools, churches, employment, and public assistance agencies which can contribute to the student's well-being in preparation for college.

Three, gainful employment opportunities in rural communities at the end of college but also during the time that they are in college.

More specifically to the student needs listed above are particular needs and concerns of minority youth who comprise the major part of Mississippi Valley State University's student population. Among these needs and concerns are: Major underrepresentation of black males in college.

We have about 60 percent females and about 40 percent males. And this is getting worse.

Positive action in these areas will result in a progressive chain of events that will foster higher education involvement, retention of area population, and ultimately economic development.

There are a number of things that I could go on to tell you, but we stand ready to provide whatever material and human resources we have available toward the efforts of fostering economic advancement in the delta region. And we know that education is the key to any economic development. And with that, Mr. Chairman, I thank you again for the opportunity to make these comments.

[The prepared statement of Mr. Sutton appears at the conclusion of the hearing.]

Mr. ESPY. Thank you for appearing, Dr. Sutton. I know that you have an urgent appointment and so I will not question you at length. Just let me first of all congratulate you on the fine work you have done since you have undertaken the reins over there at Mississippi Valley State University. I think you have done a tremendous job and I could not agree with you more in your statement of the need and the role and the viability of Valley State. You know, 45 percent of all those over the age of 21 in our district are still without a high school diploma. I could stand here all day and rattle off statistics whether it be with regard to infant mortality or high school dropouts and the like, and all attest to the fact that we need more educational institutions, not fewer. I could not agree with you more on that.

Let me ask you though, you talked about the economic impact that Valley State has on the surrounding area, Greenwood and Morehead and in that immediate region and you also said that there has been a $2 million drop in funding in the recent past. What economic impact does that have on the lessening of your ability to improve quality of life in the area?

Mr. SUTTON. Well first of all, you limit the number of choices that you can offer students in terms of what they can select to major in. We no longer have certain programs that we had. That is one of the direct impacts, which means that students who might come to your institution will have to select other institutions because they cannot get what they want in your institution. For example, we are just now, after several years, trying to get back our secondary education programs, we are working on this with the college board. That coupled with the fact that we are running into a shortage of secondary teachers, good secondary teachers, in the delta region. So we do not need to have programs lost, we need to maintain our programs and make them better. And we are attempting to do that. I use that as one example, but we at one time had a nursing program which we no longer have.

So when you lose $2 million in your annual budget something has to go. And even if you are left with it you really cannot do a good job.

Mr. ESPY. I understand that. So you are calling for an infusion of more dollars, not only to Valley State but also to Delta State and to Mississippi Delta Junior College and Coahoma Junior College.

Mr. SUTTON. To all of higher education.

Mr. ESPY. And all the other schools in the area.

Mr. SUTTON. If we are going to succeed in economic development—most of the speakers have alluded to it either directly or indirectly—education is the key. And it has to start with kindergarten, but all the way up through high school and college, we need more of our people better trained and not less access to education.

Mr. ESPY. Let me ask you, Dr. Sutton, I do not want to put you on the spot either, but are you questioning the commitment of a new administration which suggests that it wants to do more for education? In fact, to say that he would be the education President and his surrogate, Dr. Cavazus with regard to their commitment to Federal funding for education.

Mr. SUTTON. I am not in a position to question it in that they have only been in office about 5 or 6 months.

Mr. ESPY. You have been in office that long yourself and you have done a good bit at Valley State.

Mr. SUTTON. I think though the position they have taken on financial aid is not indicative of being an education President. I think we all have to be cognizant of accountability, but some of the things that they project in the new statement regarding student financial assistance will not help the poor and particularly the poor minority students. It is not going to help any student who cannot afford at least a significant portion of their financial backing for higher education.

Mr. ESPY. Thank you. Thanks for appearing. I know again that you have to rush off, we appreciate that you would take time to come and thank you for your testimony.

Mr. SUTTON. Thank you very much, Congressman.

Mr. ESPY. Let me call the next panel; Mr. Jerry Maulden, George Berry, Mickey Milligan, Hobson Waits, and Jim Sharkey.

Thank you gentlemen for appearing and let me call on Jerry Maulden first of all.

STATEMENT OF JERRY MAULDEN, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, MISSISSIPPI POWER & LIGHT CO. AND ARKANSAS POWER & LIGHT CO., AND SENIOR VICE PRESIDENT AND SYSTEM EXECUTIVE, ENTERGY CORP.

Mr. MAULDEN. Thank you, Congressman Espy. My name is Jerry Maulden, I am chairman of the board and chief executive officer of Mississippi Power & Light Co. and Arkansas Power & Light Co. and a senior vice president of Entergy Corp. the parent company of MP&L, AP&L, Louisiana Power & Light Co., New Orleans Public Service Co.

Together our companies serve more than 1.6 million customers throughout this region. That includes more than 340,000 customers in 45 Mississippi counties.

I am honored to have the opportunity to address the subcommittee today and I appreciate very much, Representative Espy, your invitation.

I wish to begin by emphasizing that the Entergy Corp. is a rural utility. We may serve Little Rock, Jackson, and New Orleans, but most of our service lies in the rural areas of Mississippi, Louisiana, Arkansas, and southeastern Missouri. In Mississippi, for instance, MP&L serves nearly a quarter of a million people residing in areas with a population below 20,000. That includes 75 communities with populations under 1,500.

Ever since the late Harvey Couch, one of the founders of our electric system, worked directly with President Hoover and President Roosevelt as chairman of the Reconstruction Finance Corporation, our companies have been in the forefront of rural economic development.

Successful rural economic development demands a total commitment to teamwork among rural residents, Federal, State and local government and other permanent institutions. We must all work together to forge permanent links to make things happen.

We in the Entergy Corp. echo the Edison Electric Institute's position that "In order to benefit all rural Americans, we strongly support programs which give all utility ownership forms an equal opportunity to promote rural economic development."

We also endorse, along with EEI, the development of a modern national rural electric policy that is unrelated to the provider of electricity. Such a policy we believe would provide fair and equitable benefits to all customers and taxpayers in rural areas.

Moreover, we submit that the Entergy Corp. and its operating subsidiaries are already prepared to be effective partners in this national commitment to revitalizing rural America.

Since I do not have time this morning to outline all of the rural economic development programs of our companies, I have included that information in my written testimony. Rather than trying to

review these efforts, let me instead tell you about an actual rural economic development success story.

Six years ago, the people of Walthall County, Mississippi, population 13,800, were suffering from 18.5 percent unemployment. Their primary industry, located in Tylertown, a community of just 1,900, had closed, and the agricultural economy was likewise depressed. The leadership of Tylertown and Walthall County turned to MP&L's area development department for assistance, and we all went to work together.

Six of their key citizens were trained through an MP&L leadership development program in community economic development. Our staff worked with their leadership to qualify Walthall County for Mississippi's "key community" designation. We provided the county with a complete economic evaluation, a "report card" on their ability to compete for new investment and jobs, together with a plan of action. We put them in touch with State and Federal agencies and other private development groups which could help. And MP&L provided a $3,000 matching grant which funded an engineering study to evaluate the feasibility of a new industrial park in Tylertown.

The results. Well today, with one new industrial employer and various expansions, plus several new businesses, unemployment in Walthall County has been reduced, I am happy to say, to 8.5 percent. And, perhaps most importantly, there is a can-do attitude now in Walthall County that is found in far too few of America's rural communities.

This turnaround was not simply the result of MP&L's commitment to rural economic development. The leadership of Walthall County should be congratulated to a great extent for their accomplishments. But MP&L was and is recognized as a major partner in helping that community find new economic opportunities.

I want to share with you another actual experience that is happening right now. Entergy Corp., MP&L and Mississippi Delta Community College have combined their resources in the battle to overcome the devastating impact of functional illiteracy. By using state-of-the-art computer assistance, reading skills can be greatly improved and one instructor can work with eight students rather than just one at a time. The concept was proven in an urban setting last year. Now we will carry the program to rural areas by literally putting it on wheels in a van. I am personally excited about the potential of this project and the value that rural Mississippi will receive from this $150,000 investment of MP&L and Entergy Corp.

I want you to know that we are concerned about the revitalization of rural America because we serve rural America. Our futures are directly linked.

We feel strongly that all entities concerned about the future of rural America must pull together in a team effort. We feel that it is in the best interest of our Nation, that the Congress consider ways to make rural economic development an inclusive effort rather than an exclusive one.

The Entergy Corp. is prepared to carry its share of the load.

We hope that together our combined strength and willingness to foster economic development will make our efforts more meaningful and more successful.

Thank you very much, sir.

[The prepared statement of Mr. Maulden appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Mr. Maulden. Let us go now to George Berry.

STATEMENT OF GEORGE L. BERRY, PRESIDENT, INDUSTRIAL FOUNDATION OF WASHINGTON COUNTY, INC.

Mr. BERRY. Thank you, Congressman Espy. I am George Berry, president of the Industrial Foundation of Washington County and I am pleased to have the opportunity to be present today to testify to some of the ideas that we have come up with on enhancing rural development.

This section of the country, as you are well aware, has been described as one of the poorest areas in the Nation and lags behind in economic growth and prosperity. It has the greatest amount of measurable poverty and unemployment.

Because our area suffers from the factors of high unemployment, low-net family income, agricultural decline, decrease in small business activity, less competitive transportation, infrastructure, health care, housing, and educational opportunities, the per capita revenue from public and private local sources is severely limited in competing for growth opportunities with more prosperous areas of the country.

Tremendous sums of Federal dollars pour into this area every day in the form of transfer payments, our largest source of income to our local economy. We would much rather see this region be a contributor to the economy by becoming a self-generator of opportunity for all its citizens and we think it can happen if positive action is taken at a Federal level that will close this gap in competitive differences.

If real help and improvement is to come to this area, and government and private sectors are to play a role, then additional sources of revenue will be needed. It can be provided in three basic ways: One, freeing up existing local governmental burdens of expenses by transferring program costs to other levels of government;

Two, by direct additional financial participation from Federal and State levels; and

Three, by providing an advantage consideration in programs for depressed areas.

Here are some examples.

Programs to aid infrastructure development.

Relief and/or assistance with the burden placed on local governments by human services agencies seeking funding for programs, many of which began on Federal funds and have since been shifted to local government.

Redirect the policy to a State or Federal level for the primary responsibility of providing human and related services.

Develop demonstration projects in conjunction with local governments to maximize local government resources in the areas of law

enforcement, recreation, medical development, planning and redevelopment, engineering technology, municipal services, fire protection, public facilities, water systems, waste treatment and solid waste disposal.

Reevaluate State and Federal purchasing laws to encourage expenditures of funds in local governmental areas.

Provide incentives to locate doctors in public-supported medical facilities.

Encourage the development of more Government funded and maintained resources such as military reservations, R&D programs or tourist attractions.

Provide incentives for luring educators and development of demonstration projects in education such as we have already heard presented this morning.

Develop and fund policy and programs for establishing incubator buildings in areas of high potential success such as Greenville and Washington County.

Encourage the development of Federal enterprise zones within the region and support the current application of Greenville, Mississippi.

Establish entitlement programs.

Award bonus points within the region to applications of local government in Federal competitive programs.

Assure and support that funds received from paybacks to the Community Development Block Grant Program be retained or recaptured within the issuing local governmental unit to be used again and for additional business development.

Mr. ESPY. Could I interrupt you for 1 minute?

Mr. BERRY. Yes, sir.

Mr. ESPY. If we were in Washington today, there would be a red light here and after a certain number of minutes that red light would go on which would indicate that the time would be up for each speaker.

Mr. BERRY. Is my red light on?

Mr. ESPY. Let me do this. All these panels are important, but in my opinion this is a panel that is extremely important because you gentlemen represent private business enterprise and the aggregation of business interests in our State and in our region. If we allow our region to die, we all know of the severe economic repercussions that would have on your business. So our interests are critically intertwined.

Let us get rid of all these papers. I will get rid of mine, you get rid of yours. I want to ask you—we are here for a reason and the reason is that this subcommittee will return to Washington, September 6—September 7, and start discussions on the formulation of a 1990 farm bill. I hope that a part of that farm bill will involve a rural development package. The Senate last week passed its own version of a rural development package. They dedicated $300 million to this. I do not know if any of you have seen it, but I have read it. It is a good first step, but I think that it is anemic, if you will, because we have to take this $300 million and spread it over 14,000 rural communities encompassing some 61 million people. So I hope that we can do a little bit better.

You must give us—because you have resources of your own that you have already brought to bear on this situation, but I want you to tell me in the balance of your testimony the three or four main things that the Federal Government can do to breathe life into these dying areas, these distressed regions and how we can help you in a partnership capacity to do that.

George, I will let you finish.

Mr. BERRY. Thank you, Congressman, I appreciate your——

Mr. ESPY. Come on now, I know you, you can speak from your heart.

Mr. BERRY. One of the things that I think that we must do is create a partnership so that we are all working together toward our objective. This means Mississippi Power & Light Co., this means other utility companies, this means the Government, this means the university systems must work together so that we do not reinvent the wheel every time we try to do something. And Congressman, we are trying to do that in Greenville in terms of working with Mississippi State in an educational program. Obviously education is one. The second thing has to do with job creation and there are many ways that job creation gets done through the private and public sector. And again we are working together on that through the foundation work.

I think there are additional ways that the Federal Government and State governments can come into play to contribute to these sorts of things. For instance, in the bond program that the State has, the bonds can be issued and encourage businesses to come into a certain area.

So basically as we look at working together, as we look at our educational system, as we look at the infrastructure being developed to take companies and to take businesses that come in, we simply must have that sort of cooperative agreement.

[The prepared statement of Mr. Berry appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, George.

Mr. Milligan.

STATEMENT OF MICHAEL F. MILLIGAN, MANAGER, ECONOMIC DEVELOPMENT, SOUTH CENTRAL BELL

Mr. MILLIGAN. Congressman Espy, I am manager of economic development for South Central Bell in Mississippi and as such my job is to ensure that we have the telecommunications technology in place to allow us to compete in the new global marketplace and to be sure the technology is utilized in the optimum manner to improve our State's economy and therefore the quality of life for our citizens.

Basically I see two things happening that must be done for us to help rural area development. The first is that we must have the telecommunications infrastructure in place so rural businesses and residences can access it. And when I say infrastructure, I simply refer to the physical elements which must be available to connect the user to the technology. To us in the local operating company, that means central offices and the networks linking them with the rest of the world.

Future deployment of this critical technology must be accomplished to provide rural areas the same information age capability as urban areas. I am proud to tell you that in our Mississippi operations which serve some 82 percent of the State, we have an aggressive and ambitious goal to complete full deployment of this advanced telecommunications technology by the end of 1990.

While South Central Bell and other Bell operating companies strive to put the most advanced telecommunications technology in place, restrictions imposed at the time of the AT&T breakup are preventing the American public from obtaining full benefit from its availability. As a result, the information age is a growing reality for people in other countries but not for Americans.

Congress must regain control of this Nation's telecommunications policy by removing the restrictions imposed by a court order and overseen by a single man. Just as our entire country is poised to participate in the information age, these restrictions are creating incentives to export new information processing jobs rather than allowing them to be located in this country. I have attached to my testimony a speech by Dr. William H. Davidson of the University of Southern California, Dr. Davidson told the group "America is vulnerable for the first time to a loss of information processing jobs because information processing services can now be imported and exported via telephone technology." I do not have time enough to elaborate this morning of course on all the disadvantages these restrictions are imposing on us, but I would like to cite three or four.

One, if they were lifted, more information processing jobs in America could be created versus sending them overseas.

Two, a turnaround of the $2 billion U.S. trade deficit in telecommunications products and services.

Three, more research and development spending by the Bell operating companies and more U.S. patents by Americans.

Four, wide area access, and especially access by rural America, to advanced information services.

Across the Nation from the rural areas of Mississippi to the Halls of Congress, debate is growing over the need to remove these restrictions. H.R. 2140 has been introduced and has been the subject of hearings in the Energy and Commerce Committee. A critical relationship exists between the objective of this legislation and the objective of this subcommittee.

Telecommunications can and will play a major role in the revitalization of our rural areas and small towns. To speed this revitalization, I urge your attention to and support for removing the shackles of these restrictions my company and others have been wearing for the past 5½ years, so we can once again proudly step forward to help lead this country into the information age and a brighter future for everyone.

I thank you again for holding these hearings in Mississippi and allowing me to appear here today.

[The prepared statement of Mr. Milligan appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Mickey, I appreciate that, and the statement that you referred to, without objection, will be made a part of this permanent record.

Mr. MILLIGAN. Thank you.
Mr. ESPY. Now, Mr. Waits.

STATEMENT OF HOBSON WAITS, EXECUTIVE VICE PRESIDENT, ELECTRIC POWER ASSOCIATION OF MISSISSIPPI

Mr. WAITS. Thank you, Mr. Chairman, I will be brief. My name is Hobson Waits and I am executive vice president of the Electric Power Associations of Mississippi. I appreciate the opportunity to appear before you today because the rural electric cooperatives in Mississippi are vitally interested in rural development.

In the interest of time, I would like to hastily address three points. These points are further explained in my written statement and the attachments.

One, we believe there is a strong need for the Rural Electrification Administration to provide leadership and technical assistance in the economic development area. An economic development technical assistance group at REA could provide hands-on advice and assistance to rural electric systems on specific development projects. I think Chairman English has been very much involved in these efforts.

REA could provide resources that would allow local rural electric systems to offer more assistance to local projects.

Two, we support the idea of rural business incubation. These programs would provide a practical way of linking new rural businesses with technology and business insight. East Mississippi Electric Power Association, which is headquartered in Meridian, has already participated in an incubator project in Kemper County, Mississippi. This project is one of America's first rural business incubators. A more complete explanation of this project is provided for you in attachment B of my written statement.

Three, the final area that I would like to address concerns the great need for access to capital for economic development in rural areas. A cooperative financing effort of this type will be announced Friday of this week in the southern part of the State. An electric power association has been working with a local economic development district on an innovative financing plan that will enable a proposed plant to become a reality. In full production, this plant expects to employ 300 people. This financing plan allows the local cooperative to loan to the economic development district capital from its general funds that will be repaid over a specified period of time. These funds will be used to finance a building which will then be leased to the new company. Further information about this project can be seen in attachment C.

I appreciate this opportunity to present some of our thoughts on this most important subject, and I will be happy to respond to any questions you may have.

[The prepared statement of Mr. Waits appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Hobson. Let us turn now to Jim Sharkey from the Greenwood Chamber of Commerce.

STATEMENT OF JAMES S. SHARKEY, EXECUTIVE VICE PRESIDENT, GREENWOOD LEFLORE COUNTY CHAMBER OF COMMERCE

Mr. SHARKEY. Thank you, Mr. Chairman. My name is Jim Sharkey and I represent the Greenwood Leflore County Chamber of Commerce, the Greenwood Leflore Industrial Board and the Greenwood Leflore Economic Development Foundation. These three organizations are located together and utilize a combination of public and private moneys to facilitate community development, economic development, and educational enhancement.

Our membership and respective boards are comprised of leaders from agriculture, business, city, and county government and also manufacturing and professional individuals. Each organization has a particular program of work but the overall goals and objectives are woven together to address the identifiable problems facing a typical rural city and county.

Our efforts are three-fold; job creation for our present and future workforce, a total commitment to strive for excellence in our educational system, and a persistent effort on community improvement to upgrade our deteriorating infrastructure and quality of life.

Rural America is facing these three stumbling blocks at an alarming rate today and I personally feel the time has come for our country to develop a complete and comprehensive plan to address each issue in order to place the majority of our country into the mainstream of international economics. The longer our leadership delays a clear and concise plan to eliminate the erosion of America's backbone, the more our country will be faced by foreign competition, an ever-increasing budget deficit and a workforce that cannot compete because our country does not invest enough tax dollars in its most valuable resource, and that is our people. This is not an indictment of our Government, its leadership or the average citizen. This is reality, Congressman, at the local level and I believe this is what the committee came to hear today.

As a country, we have all the right ingredients already in place. We have more brain power than any other country in this world, we have a free democratic society which allows us the right to resolve our problems in any manner we deem necessary, and we have the will and fortitude as American citizens to do our part in order to maintain our position as the strongest economy in the world. However, the time to act is now, the place is where we sit and speak today and the answer you seek is commitment from leadership at both the local level as well as the national level.

As a representative from one of the most economically depressed areas in the Nation, I can tell you the needs of the Mississippi Delta are very great. However, I firmly believe we have an untapped wealth of human resources awaiting the investment that is long overdue. We have the leadership it will take to accomplish the rebuilding of the delta and rural America. We have undertaken programs such as leadership development, adopt-a-school, adult literacy, excellence in education, especially in our public schools, and the list can go on and on. However, it is not enough. The truth is human and financial capital support is needed on a long-term

basis. An effectively researched development plan is a must and I sincerely hope our efforts today will be the impetus to secure such a plan.

The recent formation of the Lower Mississippi Delta Development Commission is the vehicle we have long awaited in the delta to guide us. I believe this effort to address the socioeconomic needs of our region will be explicit once the commission completes its mission. Therefore, I encourage you today to take back this testimony and share it with your colleagues in Congress. I believe I can speak on behalf of all the development agencies in our region to assure you of our pledge of commitment to do whatever is necessary at the local level to revitalize the delta and rural America.

There is no easy answer to our dilemma and the solution is definitely long term. However, there is great hope and determination on our part that you afford us the tools to rebuild rural America and the Mississippi Delta.

Thank you, sir, for this honor.

[The prepared statement of Mr. Sharkey appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Jim, I appreciate your testimony and rest assured we will take it back and make sure that our colleagues on the subcommittee and the full committee and in fact the entire Congress will read every word that you've said here today, through the good graces of our stenographer.

Let me ask all five of you basically the same three questions. We have a problem, we have to better use what we already have; that is, the Public Law 99-661 program that Pat talked about. That program has already been enacted, it sets a 5 percent set-aside goal for disadvantaged businesses in its effort to attract procurement contracts from Department of Defense. But he tells us in his testimony and you heard him, he says that the problem is training, the problem is quality control. To me that is a rather easy problem to solve knowing that we have the dollars already committed to the program. So we have to better use what we have.

So I am going to ask you gentlemen in regard to the dedication of resources from your particular businesses, and in the case of the chamber of commerce and the Industrial Foundation, the commitment of resources from the business community: How will we do what I think is a very simple task of bringing the eligible minority and small business vendors together just simply to say these are the things that you have to do to do business with the Federal Government. Right. I cannot really do it from the auspices of our office alone, it is going to take some work with private enterprise and private industry. So the first thing is: How can we better use the resources we have to take advantage of the programs like Public Law 99-661. OK.

The second is with regard to using better what we have, there are also things that we have to gain. Now Jack Kemp, even in his Presidential campaign and now under the authority of HUD, has talked about an enterprise zone, a national enterprise zone. I hope that a part of that will be composed of a rural enterprise zone feature. I would like to take back to my colleagues in Congress the statement from you gentlemen in your infinite wisdom, to tell the Congress how it could revise the tax laws, how it could revise the

procurement laws, how it could revise the incentives that would encourage the energy corporations and the telecommunications corporations and the small business corporations, what specific incentives could I recommend to Secretary Kemp and to our colleagues in Congress, to gain more of an incentive for you to expand your corporation or to entice industries presently not located here to come in.

And third, again give me the three features of this rural development program that you would like us to focus upon.

Why don't we go in the order of the presentations. I believe Mr. Maulden was first.

Mr. MAULDEN. Well Congressman, with respect to how to better utilize the resources that have already been provided by the Federal and State governments and/or the resources of the corporations in the private sector, that is a relatively difficult question and I am not sure that I am prepared to respond to it in a way that would be as meaningful as I think you would want me to be.

I would say that in our system which includes Louisiana, Mississippi, and Arkansas, and I can speak most familiar—I am most familiar with Arkansas because that has been my principal responsibility until recently, we have worked real closely with minority vendors in our program over there just for the reasons that you stated, and that is to make sure that they understand what it takes to do business with a large corporation. And many times that is not understood. To help cut through some of the redtape and the detail.

We have attempted to put and devote our resources in the training, education fields in concert with educational and training professionals. We do not purport to have that sort of expertise, so we have attempted to provide funding through organizations and institutions that do have the knowledge to help to bring that about.

The question about what incentives can be offered to encourage the energy corporations or the Bell system or other private companies to be more involved, again there have been a lot of tax incentives offered in years gone by, there are still some in effect today and I would not want to attempt to get into the detail of suggesting specifics, but I will assure you, Congressman, that we will respond to your question forthwith after giving more thought to it.

Mr. ESPY. Let me encourage you to do that also because I am not a member of the Ways and Means Committee, but that committee is now very actively discussing these proposals, the modification of the tax laws to encourage businesses to relocate in rural areas, and to a great degree we can do that through creation of a meaningful enterprise zone. So we really would look forward to that from you.

Mr. MAULDEN. I appreciate it. In connection with your third question, and I will try to respond to that, from the viewpoint of rural development—now I have been involved in economic development for a long time and I would say that the three most important areas it seems to me to try to spur development in rural areas, not only in our region but throughout the country, but principally in our region, would be to enhance the investment in public education, including reeducation and retraining. And I know that there is a lot of money being devoted to that now, I know there is a lot of leadership taking place and progress has been made in Mississippi

and in Arkansas and in Louisiana. But we have a long way to go and we are going to have to make quantum leaps and not incremental leaps to really make a difference over the long term. I would say that the most important thing that we need to do long term for rural development is in the public education arena.

And then I think of course investing in the infrastructure is terribly important and I would place that No. 2.

And three, I think that subsidized recruiting tools—and there are a wide variety of things that can be done there, from financing to industrial parks and other things that Federal and State governments can help subsidize in order to give some advantage to the rural communities.

I would say that those would be the three that I think most important.

Mr. ESPY. Thank you, Jerry. Let me also compliment you and Entergy Corp.'s involvement in developing leadership programs. I am familiar with what you have done throughout Mississippi with regard to development of a cadre of basically young up and coming leaders to focus human resources and human talents on what we know are tremendous problems. So thank you for doing that and I know basically that all of you gentlemen have been involved in that program to some degree.

George.

Mr. BERRY. Congressman, I appreciate your asking that first question. One of the things that I would like to share with you, in Greenville and Washington Counties, we have worked with Mississippi State University and the extension service in working with them in providing an area agent that will be directing their efforts toward working with small businesses. Congressman, so many small businesses have a good idea and they have the ability to work, but they do not know some of the things that are involved in it. So just as you were talking about, if we can work with minority businesses in helping them understand what the quality controls are, how to get into this bid system, this is on our list of things that we will do when this agent gets to Greenville, and we will work with him and provide some entrees into these businesses, so that is using the system that we presently have in place.

I would defer the second question in terms of the national enterprise zone, there are some incentives that can be available, I will write you a letter on that one.

Mr. ESPY. Certainly.

Mr. BERRY. The third one, the features to focus on, three features; obviously education is one of the things that we need to focus on. Obviously training and retraining of our workforce is another area that we work on and we focus on and use the existing system through our junior college system, through our high school training programs in working with existing industries and working with new industries that come to our area. The third thing I think is very important and one of the things that we need to work on is making capital available either through incentives or through grants to develop industrial parks and then have oversight in terms of how this capital is used and what results come as a result of spending the capital.

Mr. ESPY. Thank you, George. Mr. Milligan.

Mr. MILLIGAN. Thank you, Congressman Espy. I will be somewhat redundant, I certainly agree that we view education as the top priority to get us off the economic bottom in the South, so my company has pledged our resources toward that and I think there are several things done in Mississippi, the public school forum in Mississippi is certainly one example of where private enterprises, State government, and education can combine their resources to try to improve that.

Second, I think I mentioned during my testimony that there are certain laws in Congress that are restricting us from competing on a global basis and we estimate—there have been some estimates made that, for example, if the Bell operating companies were allowed to get back into manufacturing, 14,000 jobs could be created by lifting that restriction. So I urge you and Congressman English to look at H.R. 2140 and the removal of that restriction. I think it will have a positive economic impact on our country.

Thank you.

Mr. ESPY. Thank you. Hobson.

Mr. WAITS. Congressman Espy, on your first question, I think I would go back to the three points that I made in my testimony presented today, that I think if we could get REA to help us from a technical standpoint, it would be very helpful. I think using present resources, we can provide incubators and the third point that I made, some type of capital program from REA. The second question, I think I had probably better write you a letter.

Mr. ESPY. Certainly.

Mr. WAITS. The third question, the three features of a rural development program we feel most important. I think my three are pretty much the same as everybody else's; education, infrastructure, and some type of investment capital in different ways, whether it is from taxes or what-not. All three of these features should be based on public/private cooperation.

Mr. ESPY. Thank you. Hobson, I have been informed that EPA had a program where—an incubation program that basically developed five companies or five plants to produce lighting figures and then you would turn around and buy the materials or buy the finished product from these companies. Am I correct?

Mr. WAITS. Not here in Mississippi, I am not familiar with that. In some other State they may be doing that.

Mr. ESPY. OK. Jim.

Mr. SHARKEY. Congressman, let me approach this just a little differently since I am—I have been an economic developer for nearly 20 years now. I am considered to be on the firing line from time to time in locating industry. So I would like to give you a little perspective from the standpoint of what I hear now versus 20 years ago.

When I first got into this business, most industry was basically looking for a large labor pool, perhaps tax incentives and financing incentives. Perhaps it is the information age that we have quietly slipped into and most of America has not taken note that we are in an information age. Whatever you want to blame for this situation, I personally consider it now a serious crisis on the homefront, so to speak. I think the two things that we are constantly hearing from industry, both large and small, are infrastructure improvements

and of course what you have just heard from this panel, education. And I think the things that we can do in the future to improve both of those areas are going to be paramount and especially to rural America.

One other thing I would like to add to it though is, perhaps with the delta study commission there be an answer some way, where if there are dollars to be administered in the future, that we figure out a way that we can focus these dollars in our particular regions and not have to follow a particular guideline that is being administered from Washington, but allow us on the local level to focus the money where they are needed most.

Thank you.

Mr. ESPY. Thank you and perhaps we could meet a little bit later and work with Pat Roberts to see if we can come up with some sort of an educational forum to better prepare our small business vendors as to how to take opportunity of what we already have available and to use the resources of your respective businesses in an effort to do that.

Thank you. Mr. Chairman.

Mr. ENGLISH. Mr. Sharkey, you were mentioning that you had been involved in rural development for sometime and with regard to industries coming in. My home town has been involved in that and I guess every town in my district is involved in that, everybody wants an industry to come to town and we are all out there competing for it. There are only so many industries around and whenever you reduce it down to the number that are interested in moving any place, you have a pretty small number of people that all of these communities are in competition for. The odds of you picking up one of these industries, any of our small communities picking up one of these industries, has to be pretty small.

Has there been much focus with regard to the question of the cottage industry, homegrown type industry, the small industry that might spring up locally, some people have good ideas, investments by the local banking institutions and that—has there been much focus on that in your area?

Mr. SHARKEY. Congressman, there has. I would certainly like to say this, that I think there could be a better emphasis on local development from our effort. It is not to say that we do not have private investors willing to participate, but we just do not have enough at the local level. Certainly we have some things here in the State of Mississippi that I think have been approached from the local level, such as the catfish industry. That has been a growing industry here in the delta and has provided jobs that were perhaps lost on the farm years ago. But I certainly think that there needs to be more emphasis, whether it is the cottage type industries you are talking about, incubators, procurement, all those areas do provide jobs even if it is small industry. As you said, there is too much competition out there and not enough to go around.

Mr. ENGLISH. I just wonder if that is not where we should better focus a lot of our efforts, if our time and resources would not be better spent trying to focus on that aspect in developing something locally.

Mr. SHARKEY. Personally, I feel like it would give us an opportunity to sort of pull ourselves up by the bootstraps, as we say. I do

not think we are going to be able to compete with urban areas, we have fallen behind, and certainly there is a lot of ground to be made up, but this is just one of the areas that I feel we could address more from a local standpoint, and be successful in creating 5, 10, maybe even 100 jobs over a year's period of time.

Mr. ENGLISH. Yes. I just do not hear that in my own community and my own district, I do not hear people talk about that much and that troubles me somewhat. I kind of wonder if they are not overlooking what is probably their best chance. It is one of the things we want to try to ask a few questions about during these hearings. I appreciate that very much.

Mr. Berry.

Mr. BERRY. Mr. English, let me comment on your cottage industry idea. One of the things that the extension service through Mississippi State has done is emphasize this. The extension service has taken some leadership in providing cottage industry operations and we have seen some of these go from a one or two person operation now to where they had to rent buildings downtown and expand. And I think this is an example of almost the incubator-type thing where needs existed in a certain area, people saw that need, some resources were given to it and the thing is moving along. So I think we can use some of these examples to follow up on, using some of the comments that you made.

Mr. ENGLISH. Very good, very good.

Mr. Milligan, I was just curious with regard to the telephone company, the smaller communities that you all serve.

Mr. MILLIGAN. Yes, sir.

Mr. ENGLISH. In a lot of what has been discussed, there is the question of installing fiber optics in some of these small communities for hospital care, educational needs, whatever it may be. Is there—you have another problem I know, you all have to make money, that is what your objective is and that is what your focus is, but has there been much discussion and is there a problem with installing fiber optics in a rural community simply because of the fact that there is not much in the way of competition, that you really are dealing with a situation in which a community may not be growing that much? Why not put your money in the city, that is where the real growth is, that is where the real money is to be made from a telephone standpoint?

Mr. MILLIGAN. Congressman English, certainly you have to look at the economies whenever you make your investment on where you are going to put your telecommunications equipment. You happened to miss the part of my testimony where I said our company, South Central Bell and BellSouth is undertaking a very aggressive and ambitious goal to make sure that all of our central offices that we serve are equipped for 100 percent stored program control and also that the networks linking them are equipped for digital transmission. And so I think we have somewhat stepped out in front to make sure that we do address telecommunications for rural development. I guess the problem becomes once you put that technology in place then the people have to be able to access the information services that you make available to them or that can be made available to them. And this is something that we in the Bell operating companies right now feel that we are prohibited from offer-

ing the information services and for that reason the rural areas and a major portion of the U.S. population is not being able to access it as foreign countries are. The Minitel System, for example, in France is up and running and they are far ahead of us. They have very low-cost terminals that their citizens use to access any number of information services in that country. Right now for us to access them, we mainly go through a PC, a personal computer, which is fairly expensive. So again, we feel like if we could get into this area, that we could help develop some low-cost terminals to make it available to rural areas and bring them into the information age.

Mr. ENGLISH. Thank you very much, Mr. Milligan.

I want to thank each and every one of you for your testimony. I really do appreciate it, you have done a fine job. Thanks a lot.

Our next panel of witnesses is Ms. Annie Brown, Dr. Paul Sundet, and Mr. Charles Sanders. If you all will come forward please.

Dr. Sundet, I understand you have come all the way from Columbia, Missouri to be with us today.

Dr. SUNDET. That is correct.

Mr. ENGLISH. Well we sure appreciate you traveling all that distance, that is mighty kind of you. Since you have come the greatest distance, we will let you lead off with your testimony.

STATEMENT OF PAUL A. SUNDET, ASSOCIATE PROFESSOR, UNIVERSITY OF MISSOURI

Mr. SUNDET. Thank you very much, sir. My name is Paul Sundet from the University of Missouri in Columbia. I am appearing before the committee to represent extension service, and to report back to the committee on what we have done with the mandates you gave us to do something about the so-called rural crisis about 3 years ago.

The term "crisis" is obviously a very overworked term, but it is still apt in its very technical sense as to what is now going on out there. There are individuals, institutions, and whole communities that are still in crisis, but perhaps worse than that, we have many communities that have resolved their crisis in a pathological manner.

Alcoholism, substance abuse, domestic violence, incident rates of mental illness continue to rise in most of the area we represent. In Missouri counties that had transfer payments that ran 8 to 10 percent traditionally as their highest, we are now talking 25 to 35 percent. The number of farm bankruptcies in Missouri is greater this year than it was last year and it is 22 percent higher than it was in the 1985 so-called crisis year. The basic infrastructure of the community continues to deteriorate, the recent drought conditions, for instance, only accentuated what we already knew about the water supply. And you heard mention already in testimony about the hospitals, the uncollectible debt ratio to assets in our rural hospitals in the critical stage.

Most of these problems are not new but we have to find new solutions to them, and extension has been trying to do that and has been materially aided with the resources that you provided under

section 1440 of the 1985 farm bill and Public Law 100-219, the Rural Crisis Recovery Program Act. Under this legislation, eight States; Iowa, Kansas, Mississippi, Missouri, Nebraska, North Dakota, Oklahoma, and Vermont were provided with $3.3 million to address crisis situations. The program categories that were specified by Congress were mental health outreach, individual and family financial counseling, vocational skill and job search assistance, community capacity building, and entrepreneurship education.

We had the opportunity to make a report to the rural caucus on July 12 of this year on what has been done within those States, and in the interest of brevity and as I know we are running very late, I will forego bragging about Missouri other than to mention that under the mental health title in the districts served by Representatives Volkmer, Skelton, and Coleman, we have had over 30,000 contacts of which about 5,000 have been clinical in nature.

In the career options program in those same areas, we have trained over 1,800 people. We have a hotline that is receiving 50 calls a week at the university on job search. We started out working with farmers and we have now expanded that because of the plant closings. We have a number of plants that are now in Mexico unfortunately.

In Oklahoma, the farm management program has materially benefited from these funds. The extension service in Oklahoma has contracted with mental health and they are now doing combined outreach services. The farm financial counseling manual that was developed by Oklahoma State University is now being used throughout the United States.

In Mississippi, as an example, two new farm training centers have been developed, training for extension agents has been accelerated, there are now eight marketing and job clubs in Mississippi that have been developed under this program, and so on.

The full reports of each one of those particular States is available to the committee.

But there are some things that we have specifically learned that we would like to share with you. First, the networking function is critical for effective rural development. We found through the extension service that we were dealing with not so much a dearth of services, but we had a utilization problem; namely getting people to services and services to people and getting the providers to work cooperatively rather than fighting over scarce resources.

Second, a word that has been overused also is "leveraging," but we were surprised and gratified to find out with so little Federal money we were able to generate a significant amount of State and local money. Nebraska, Kansas, and Missouri are immediate examples of where dollars invested have been more than tripled by the State legislature.

Third, another point that has been made today, the vulnerable populations that we have been working with during the crisis period, the most at-risk are the youth. Clearly if long-range rural development is to be successful, emotional, social, and educational needs of young people have to have the highest priority.

And fourth, we think we have demonstrated that extension and the land-grant universities are a viable tool in limited forms of economic and rural development.

So we would suggest three things to the committee as ways in which extension can effectively impact on the development process:

One, we think there should be continued support for highly targeted projects such as those that have proven successful in the eight project States under the original 1440.

Two, rural leadership training for the changing nature of the context is essential. You are familiar with the Agricultural Leaders of Tomorrow Program, or the so-called ALOT Program. We would suggest that using that model we move to an RLOT, Rural Leaders of Tomorrow Program, focusing upon youth.

Three, there seems to be a very strong need for a systematic data base on development. Members of Congress, particularly in the agricultural area, are particularly familiar with FAPRI, the Food and Agriculture Policy Research Institute, and the data that it has been able to provide to the Congress. Such a structure maximizing the resources of the land-grant university is needed in the broader area of rural development to gather and analyze data and to produce policy alternatives for legislative and executive officials at national, State, and local levels. In conclusion, we support the suggestions that the committee has received about the need to replace and repair the infrastructure, to improve water quality, to provide venture capital, to support developments in production agriculture, but we would also reinforce all the testimony that you have heard today that says the human element in rural development is critical, the quality of life includes but extends beyond the economic sphere. And for development to be lasting, the wide range of human needs must be addressed.

The extension service has existed for 75 years, there is a structure that exists in every rural county in the United States. It has credibility, it has a tremendous backup, it can do part of the economic development and it certainly is eager and willing to make a contribution in partnership with business, and government to carry that out.

Thank you very much for the opportunity to express our concerns and views.

[The prepared statement of Mr. Sundet appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Mr. Sundet. Mr. Sanders.

STATEMENT OF CHARLIE V. SANDERS, CHAIRMAN, RURAL HOUSING, MISSISSIPPI HOME BUILDERS ASSOCIATION

Mr. SANDERS. Thank you, sir. My name is Charlie Sanders, I live in Senatobia, Mississippi and have been in the business of building homes in northwest Mississippi for 17 years. I am the State rural housing chairman for the Mississippi Home Builders Association and I am also the State director and a national director for the National Association of Home Builders.

I build approximately 30 homes per year and about half of these are out in the country. We have a great potential for growth in this

area but we are hindered because of problems that are solvable but are not being addressed at this time.

I want to give this hearing some insight on what these problems are and a quick, hopefully easy way to solve them.

Farmers Home Administration is the only source of rural housing financing readily available. They have low maximum income limits and small house guidelines to follow and in most cases the time between application and funding for a new home is approximately 18 to 24 months due to the drastic cuts in the USDA rural housing funds that we have been experiencing in the last few years. My home county of Tate is making approximately 25 to 30 loans per year where they could easily do many more if the funds were available.

Personnel is also a limitation. Assistant county supervisors are usually shared between counties, which further slows down the processing time. This same limited staff still makes guaranteed loans, operating loans, farm ownership loans, emergency loans, and most recently the 1951 farm servicing program. This is in addition to normal foreclosures, inventory servicing, chattel checks, property inspections of housing and farmers and an occasional bankruptcy here and there makes the Farmers Home Administration an overworked agency.

In the past 5 years the program has been cut to approximately 60 percent of what it was in dollar value.

Mr. ENGLISH. Mr. Sanders, I wonder if we could—your complete written testimony will be made a part of the record, as well as all the others. If you could kind of summarize, we are getting a little squeezed on time.

Mr. SANDERS. The point I was getting to is this; they have a 502 low-income program that does the job very well. All it needs is additional funding, and without this funding we are just getting a bigger backlog of people who need help in an area that we are discussing today, the rural area. And if there was some way that we could show the rest of the country how effective it really is, that is my point.

And one of the points I wanted to bring out, and I hope I am right in telling you this, all the money that is paid back, principal and interest, that is loaned out on rural houses, goes back to the Government and just goes into a general fund. Congress has no way of knowing how much money this particular program is putting back into the budget. In this day and age of trying to balance the budget, I would like for the people that are actually putting some money back into the budget to get some credit.

Another rural financing agency that we had was the Federal land bank, but they have not made a loan in the last 2 years because of their bankruptcy problems and the farmer program is the ones that put them out of the business.

We have HUD and VA. VA will go anywhere a veteran wants to go, but HUD will only go where the market is good, the chances of selling a possible foreclosure are good and in areas where there are recent sales. Appraisers cannot even make loans in certain areas because the mortgage companies will not make a loan there because there has not been a house sold say in the last 2 years. They will not let them use anything that is over 6 months old.

So there needs to be some kind of vehicle devised that would actually let private mortgage companies, HUD in particular, go into the rural areas and make loans where they have not been before. We do have a Mississippi Housing Finance Corp. vehicle, but it is only going to be good to the end of 1989 because in 1987 they passed a sunset law that is going to outlaw the tax free bonds that are sold to finance this particular program. And it has a fairly low qualification rate. On the back of my written statement, I have the rules and the income limits that you have to abide by.

One last thing that I wanted to mention to you was that back in the early to mid-1970's we were in a pretty deep recession and the Government came out with—or someone came out with—a program called the Tandem plan. The Tandem plan was a method of financing where certain mortgage companies said we do want to go into the rural areas, we do want to participate and for example if the interest rate was say around 10 percent, where it is today, the Government paid only 1 percent—they paid 1 percent on the front end, the builder paid 1 percent at the loan closing and then the customer got an 8 percent loan in the day and age of 10 percent. And you would be amazed at the number of country people that can qualify for an 8 percent loan that cannot quality for a 10. It did not cost you very much but yet you have a lifetime of payback because of all the money that you started flowing just as a result of I called in here "priming the pump".

And one other possibility that we had good luck with in Mississippi because maybe we just did not know how to be crooked, but back in the same period of time, 235 was going hot and heavy and there was just people going to jail right and left because they were abusing the program. In my area of the State, north Mississippi, we welcomed it because it was just such a wonderful vehicle and I would like to see something along those lines brought back in. But I think one of the keys to it is local supervision. The Farmers Home Administration, that is the reason they have been as successful as they have been, they have people in every county and they are locally supervising these programs and they cannot get away with some of the things that you could when these mortgage companies were handling it in a town 40 miles away.

So maybe a real structured, restricted 235-type program which helps people get in the home and then the payments are increased as their ability to repay increases.

We have had some problems with rural insurance but our State commissioner here in Mississippi has a good handle on it and they are beginning to get the rates back down.

Rural Water Association, several people have mentioned them today. Well Rural Water Association, they are right in direct need along with the houses because without them, a lot of people could not afford a house when you have to add the cost of the well plus the land and septic tank and the house where they are dealing with a restricted income to begin with.

So I ask that you please keep funding these associations. Mr. Espy, you were mentioning your situation with the water association. Thankfully, the water associations are actually handled through the district office. My people, the folks that I really am pushing for today, are the local people, the ones on the county

level, the ones out there getting dirty and doing the work. And I would ask that anything that the Agriculture Committee can do to help the Farmers Home program expand or modify to continue to help rural America, rural Mississippi, and north Mississippi in particular, I would appreciate.

In closing, I would just like to thank you for providing me this opportunity to share with you some of my views and thoughts of both myself and my fellow builders and we love the country and that is why we live there.

[The prepared statement of Mr. Sanders appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Mr. Sanders. Ms. Brown, you have been mentioned by Julie Mabus as one of the shining stars within the delta region, so we are delighted now to hear from you.

STATEMENT OF ANNIE BROWN, EXECUTIVE DIRECTOR, SHARKEY-ISSAQUENA COMMUNITY CHALLENGE, INC.

Ms. BROWN. Thank you. Congressman English and Congressman Espy, my name is Annie Brown. I am the originator, the organizer, and the executive director of Sharkey-Issaquena Community Challenge, Inc., a nonprofit interracial volunteer organization to improve the economic and academic growth development in Sharkey and Issaquena Counties.

Less than 5 years ago in these two counties, racial prejudice reigned supreme. On January 5, 1985, God gave me a vision. I saw the need for a complete revolutionary change that would break the cycles of poverty and illiteracy in the State of Mississippi. I decided what would happen and what could happen if I bring about the two neighboring communities, making them aware of the dire need in the two counties to help bring about this revolutionary change in the economic and illiteracy predicament that was consuming our two counties.

On October 8, 1988, for the first time, black and white, rich and poor, crowded the Sharkey County Courthouse. I pointed out to the audience assembled our problems were much greater than racial issues. Our problems are illiteracy, teen pregnancy, gang rivalry among our youth, alcohol, drug abuse, child abuse, neglect, and early childhood education.

As a result of the coming together of the two communities, we began the initial work of recruiting and organizing within the communities. Presently we have nine reading clinics throughout the two counties, three teen pregnancy prevention classes, two drop-out classes 16 through 21 years of age. Counseling sessions are held three times a week for our high-risk youth. A summer youth project is providing recreation as an alternative to prevent and reduce the incidence of alcohol and drug abuse along with gang activity among our youth. We have 289 youth and 61 parents participating.

The keys to accomplishing our goal of full literacy in the State of Mississippi are as follows:

One, someone with the ability to recruit and organize volunteers as teachers and at the same time the ability to recruit and organize the target population, particularly blacks as learners.

Two, someone with the ability to create and develop curriculum that is educationally sound and has meaning in the everyday life of each adult and classroom student.

Three, the ability to train teachers of adults and school classroom learners to use the effective oriented approach so that learning in the cognitive domain is mastered and internalized.

Four, someone with the ability to motivate, monitor, supervise, evaluate, and celebrate successes in an ongoing process so that learning becomes acceptable and a satisfying way of life within each family unit.

The task seems as if it is a mission impossible. But you have before you today two black women who are fully qualified, dedicated, and anxiously awaiting the opportunity to accept this challenge.

On July 26, 1989, we submitted to Karl Haigler a proposal to be presented to Governor Ray and First Lady Julie Mabus detailing our plans. When a response comes indicating its approval, Carrie Haynes as Mississippi State field administrator/consultant, and Annie Brown as Mississippi State field organizer/coordinator, will get busy undertaking the task of making a complete revolutionary change throughout the State of Mississippi.

I would like to present to you Carrie Haynes, a candidate for the position of Mississippi State field administrator/consultant.

[The prepared statement of Ms. Brown appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Ms. Brown. Ms. Haynes.

STATEMENT OF CARRIE AYERS HAYNES, ADMINISTRATIVE CONSULTANT, SHARKEY-ISSAQUENA COMMUNITY CHALLENGE, INC.

Ms. HAYNES. I will be very brief. My name is Carrie Ayers Haynes. I was born in Memphis, Tennessee, I went to LeMoyne College, I spent my tenth and eleventh grade years at Tougaloo College. My grandfather owned a farm in Pocahontas, Mississippi, this is where my mother was born, so I do have some roots in Mississippi. I went to Los Angeles and I did my work there. I worked very closely with Congressman Augustus Hawkins. I was a principal of a school, one of the two schools in the the city of Los Angeles Unified School District which was highly populated by black students—that raised their scores throughout the last 22 years to grade level. I got a lot of national publicity. So that is why I am here. I guess it was just by the act of God that Annie Brown found me. This is my fifth trip here to Mississippi. I am a senior citizen, so I come voluntarily on my senior citizen coupons. I have worked these past 6 years as a volunteer working with illiteracy programs. I have been writing curriculum and I have been training people how to use that curriculum.

But all of the curriculum I have written so far that goes into the hands of people has been on third grade or above. I have found that there is a need in every single literacy group for some materials to be developed for total nonreaders.

When I came to Mississippi in May for the first time, I found something that I did not believe could happen. Annie Brown had

recruited and organized volunteers in the Sharkey-Issaquena Counties—that were enthusiastic about wanting to be teachers. At the same time, she had matched these teachers with the target population of learners. I have not found that in any organized entity anywhere I have been, and I have been traveling all over the United States. This is an excellent situation that she has set up here.

Now what the real need is here is for some curriculum that is meaningful to the student. That is what we found that made it possible for us to raise our students to grade level, students in the classroom and students that were nonreading adults. So I have been in the process of writing curriculum, not just for Mississippi, but for all adult literacy programs, particularly for the black population.

This is the very first issue that has come off the press and I would like for each one of you to have one of these copies. It is called the Enhancer. My picture is on the front. I am going to have my picture and Annie Brown's pictures on the front. We need to have this as role models—we need to have this to say that we are role models to our black population.

Mr. ESPY. Yes, ma'am.

Ms. HAYNES. OK. Now each one of these issues is going to feature an African American hero in our past or an African American role model in our present. The first issue is on Benjamin Banneker. I have already written one that is going to press about Congressman Augustus Hawkins. I would like to invite Congressman Espy to give me some information so that we can feature you in one of these issues.

What I would like to do now is develop enough issues so that this paper comes out once a week throughout the year. There will be one issue that will feature Annie Brown. She should be on the front because she has done such exceptional work in literacy providing here.

Mr. ESPY. Certainly.

Ms. HAYNES. This is what we are after, getting people to read material that has interest to them and help them to know how that is beneficial to them. In the meantime we are also going to teach all the basic skills that most of our people have missed in the classrooms.

Now one key thing that I find here in Mississippi, that I have not found anywhere else, is the eagerness of the adult functionally illiterate population to learn. They are there. Now we have Pat Roberts' program there that is largely a phonetic program. We are going to integrate that into what we are doing, but we must have some meaningful narrative material that has meaning to our people—helping our people to understand that there are those of us who are writers and teaching them to become writers. We do this, by using an affective-oriented approach. We do not just sit there and teach ba-ba-ba, ca-ca-ca. We teach who am I, first.

Mr. ESPY. Right. You certainly bring some impressive credentials to bear to this problem and we appreciate that you provided this newspaper for us.

[The newspaper is held in the committee files.]

Ms. HAYNES. We are going to give you a copy of the proposal that we submitted to the Governor. This is the first issue and there will be a series of 40 of these.

Mr. ESPY. Thank you, Ms. Haynes.

Ms. Brown, let me ask you very quickly, this program that you have started—I have been looking through your written testimony. How many participants do you have all combined?

Ms. BROWN. Students?

Mr. ESPY. Students, yes. And have you had any Federal funding or any State funding so far? And if you did, how many more—well answer that first.

Ms. BROWN. OK. Presently we have 110 students enrolled with 37 volunteer teachers. We have been totally volunteer for 3 years.

Mr. ESPY. Three years?

Ms. BROWN. Three years, started longer than that but 3 years in Sharkey-Issaquena. The only funds that we have had from the Federal Government was a $5,000 grant that was given through the Governor's office of literacy. The other money that we have gotten has been from our local government support.

Mr. ESPY. Great. So you are actually looking—a donation would be helpful.

Ms. BROWN. Very much so.

Mr. ESPY. Mr. Sanders, you are basically complimenting the Farmers Home 502 program?

Mr. SANDERS. Yes.

Mr. ESPY. Do you think that that program needs to be expanded?

Mr. SANDERS. Yes, sir; I do. Because like I said before, it is about the only game in town. Of course when you have enough money to not need the Farmers Home, you can go through the local banks, but rural development really depends on the lower-income people. That is where the houses are being built.

Mr. ESPY. And this Tandem program that you mentioned whereby the Government basically kicked in 1 percent which reduced the effective interest rate to the eligible home buyer and then someone else you said kicked in another 1 percent?

Mr. SANDERS. The builder.

Mr. ESPY. The builder. When did that program terminate?

Mr. SANDERS. Around 1975–76. I just brought it up because out of all the programs that I have been involved in in my years of building, it was far and away the most successful, cheapest to administer, and seemed to get the most good for it, because we are not looking for grants or giveaways, we just need a little help to get started.

Mr. ESPY. Thank you. Dr. Sundet, I was not present to hear your testimony, sir, but I do appreciate you coming. Would you care to comment on Ms. Brown's program?

Mr. SUNDET. I think like everyone else in the room, I am extremely impressed, I think it is wonderful. One of the things that has been problematic with most adult literacy programs is that the materials used in them have been developed by the wrong people. This is an example of it being developed by the right people for a change.

Mr. ESPY. Thank you. With those comments, we will excuse this panel. Thank you so much for testifying, thank you for participating.

And with that, we will call up our last panel, our panel on minority business. Larry Farmer from Mississippi Action for Community Education; Peggie Henderson from the Southern Group, Tunica, Mississippi, and Mr. Ben Burkett, Federation on Southern Cooperatives. We do not have Benny Thompson present, do we?

[No response.]

Mr. ESPY. OK, Benny is not here. Let us proceed, Larry. Again, let me emphasize that—most of you have been present throughout the entire morning, let me see if we can get you to summarize your testimony as best as you can and then be prepared for a couple of questions. Let us go with Mr. Farmer.

STATEMENT OF LARRY FARMER ON BEHALF OF MISSISSIPPI ACTION FOR COMMUNITY EDUCATION

Mr. FARMER. Thank you, Congressman Espy.

On behalf of Mississippi Action for Community Education, I want to thank you and Congressman English for allowing me an opportunity to appear before you this morning.

Congressman Espy, if I could before I begin my testimony, I was given a petition from residents of the Kinlock Community in Sunflower County to present to the commission regarding their effort to secure funds to establish a rural water system to provide affordable potable water for those senior citizens. So if I may, I would like to do so.

Mr. ESPY. Without objection, we will receive the petition.

[The petition is held in the committee files.]

Mr. FARMER. Thank you.

I will be brief. I would like to start by just telling who I am and the organization by which I am employed and work for. Mississippi Action for Community Education, commonly referred to as MACE, is a tax-exempt community development corporation that was established in 1966 by a group of then local civil rights activists who wanted to establish a corporation that could work with low-income community residents throughout predominantly black rural areas of the delta of Mississippi, to build leadership and institutional capacities within those communities.

In describing minority business development in the delta of Mississippi, I think I can be most charitable by saying that it is an anemic State, if I were to use medical terminology. It is anemic because it is at best stagnant. It has been a period of perpetual depression for minority business persons. Our business, our industries, for the most part, are restricted to certain sectors of the economy. There are too few public and private initiatives available to spur black business development and there are a lot of reasons for it.

I have been surprised to sit here all morning and hear representatives from public and private sectors talk about the delta and what needs to be done to impact upon it. I am surprised because not one time did I hear any comments relative to one of the very basic and fundamental reasons as to why we have the problem we

have, and that is simple old-fashioned race and racism. I mention that only to say that I am not here to try to solve it, it is not the task of this Commission to solve it, but it is a reality that we must recognize and that comes into play in whatever we try to do here in the Mississippi Delta.

We have seen businesses decline, we have seen black businesses go out of business. We see blacks who have the skills and capabilities to impact upon the situation leave. There are many reasons why black businesses are declining; lack of affordable capital, lack of access to technical know-how, lack of basic human capabilities, all of which have been talked about and I will not attempt to reiterate.

The results or the outcome of the anemic or stagnant situation we find within the black community from a business standpoint. It has made extremely limited employment opportunities available to blacks, especially those being provided by blacks. Dollars spent by blacks with whites seldom revert back to the black community. Blacks are extremely reluctant, unfortunately, to go into business because of the fear of failure.

Because of limited opportunities, again, those young persons we have with the skills and capabilities to go on to school are now leaving. And there is an increasing failure rate among remaining black businesses. Unfortunately in many black communities in the rural areas, the most thriving business and the businesses on the increase is drug sales. That is sad testimony.

What can be done to improve, to facilitate minority business development here in the Mississippi Delta? Obviously I think Congress, the Federal Government, has a role to play. Equally important, so does the State government, local, county, and municipal units of government, as does private industry, the corporate sector, farmers.

In order for that change to take place, I think there are some fundamental changes in attitude that must take place. There must be a recognition that there is no quick fix to the problem that we have. If we are serious about minority economic development, business development here in the delta, then we must make a long-term commitment to the development of human, financial, technical, and institutional resources to do so.

We need to do a strategic assessment of what really exists in the black community in the way of business, what is the black economy in this State. Based on that assessment, we need to have a strategic plan developed that involves all sectors of our economy in trying to address those problems. There must be a willingness on the part of private industry to hire blacks in meaningful positions, to make a commitment to invest in minority business. Let blacks learn by doing.

Our educational institutions at all levels must do a better job of preparing and enhancing young blacks to go into the business world and business-related fields. To address the capital question, we need the formation of special capital pools that can be accessed by black businesses, where that capital is affordable. That capital, I do not think can be provided by the Federal Government alone, I think it requires our local lending institutions, most of whom are not local any more at all. Statewide banking institutions invest

little in minority rural communities, or in rural communities in general, but minority rural communities in particular.

We need to do more to support existing black organizations and agencies that were created to facilitate minority business development. They need increased technical capacities, financial capacities and be strengthened so that they can do more. The public and private sectors must, I think, assist in the establishment of these technical units and organizations within minority communities to assist minorities in business. Private institutions and the greater corporate community must be encouraged to reinvest a part of the profits they derive from minority communities back into those communities. Efforts should be made to recruit minorities with technical and professional skills to locate or relocate in minority communities. We need to strengthen and expand business opportunities at historically black colleges and universities for minorities, and make funding available for those persons to attend.

Black community development corporations and community based organizations must begin to work more closely with historically black colleges and universities as well as traditionally white universities and institutions to develop strategic business development plans for black communities.

White oriented industries and white dominated organizations and agencies such as industrial foundations, chambers of commerce, et cetera, must begin to allow blacks to participate in activities that are designed to address their economic and human service needs and not just talk about them as part and parcel of the problem.

Finally, black businesses themselves must upgrade their efforts to market their goods and services so it remains in the economic mainstream of the delta.

Thank you, Congressman Espy.

Mr. ESPY. Thank you, Larry. Let us go to Peggie Henderson. Peggie, welcome and thank you for appearing this morning and this afternoon, and proceed with your testimony please.

STATEMENT OF PEGGIE B. HENDERSON, PRESIDENT, SOUTHERN GROUP, INC.

Ms. HENDERSON. Thank you, Congressman Espy. Today I am honored to talk to you a little bit—very briefly—about the Southern Group, Inc.

The Southern Group is a company located in the north end of the State in Tunica, Mississippi. We are contract packagers and manufacturers of household and industrial cleaning chemicals. The company was conceived in January 1987, motivated by a desire to create jobs in the Tunica area.

Being a minority business has disadvantages and advantages. The disadvantages are: Under capitalization; unable to secure financing, not enough collateral; The lack of adequate trained personnel; and difficulty in procurement. But today, I prefer not to elaborate on the disadvantages, but the positive advantages. They are: Unlimited opportunity with major corporations; and unlimited opportunity with the Federal Government.

Now in reference to the major corporations, you must be prepared. In other words, you have to do extensive research in the need of the product or services that they need. You must be a qualified supplier, prices must be competitive. In some instances major corporations are looking for companies with minority status. The next step is to seek adequate funding through various profit and nonprofit sources. Always you need to get more than you need based on your projections. Funding sources such as economic development agencies have medium requirements for funding. A start-up business can utilize a combination of funding sources through economic development.

Now in reference to our company, we have used the north delta planning, development, and the economic development loan guaranty programs along with our local banks and private investors. Because of our quality production systems, we were able to obtain packaging contracts with Federated Foods, Fleming Foods, Malone and Hyde and other major concerns. Because of quality products and quality label designs, our product is now in the Fred's stores, the Piggly Wiggly stores, the Kroger stores and independent stores. Like any other business, large or small, minority or nonminority, you must be dedicated and committed to make it work against all odds. You must have a dream, a vision, a plan and the courage to work that plan.

Thank you so much.

[The prepared statement of Ms. Henderson appears at the conclusion of the hearing.]

Mr. ESPY. Thank you. We really do appreciate your comments, Ms. Henderson. Mr. Burkett.

STATEMENT OF BEN F. BURKETT, ACTING STATE COORDINATOR, FEDERATION OF SOUTHERN COOPERATIVES, STATE OF MISSISSIPPI

Mr. BURKETT. Thank you, Congressman. On behalf of the Federation of Southern Cooperatives, I wish to state I am Ben F. Burkett, acting State coordinator for the Federation of Southern Cooperatives for the State of Mississippi.

In the State of Mississippi, we have a dozen self-help rural cooperative and credit unions involving over 3,500 low-income families and family farms. We have six memberships here in the Second Congressional District and one here in the town of Clarksdale.

The federation is working with low-income people throughout the South in their own self-help organization to seek to deal with rural poverty. We see some of the problems of the rural people, substandard housing, low literacy rate, under-employment, unemployment, idle land holding, poor health care, hunger, malnutrition.

The current economic crisis in agriculture and rural America is accentuated for black, minority, and limited resource farmers who have for years been struggling to make a living on the edge of poverty. For black farmers in the rural South, there has been a continuing crisis for over 50 years. Black farmers have been faced not only with the general decline in the farm economy.

In 1910, there was over 1 million black farmers owning 15 million acres of land, while in 1980 there were less than 100,000 black farmers owning less than 7 million acres.

Black farmers still are losing land at an astounding rate, over 1,000 acres per day or 350,000 acres per year.

The Federation of Southern Cooperatives and its membership cooperatives recommend a comprehensive rural community economic development legislation enacted by Congress contain the following provisions:

One, legislation for a Minority/Disadvantaged Farmers Rights Act to protect the land holdings of black and other minority farmers across the Nation. The Federation of Southern Cooperatives has drafted a copy of this legislation which recognizes the importance and benefits to the national racial and ethnic diversity in the ownership of our farm land, the cultural diversity and pluralism in the composition of the family farm population. A major goal of this is to maintain and increase and perpetuate this diversity and pluralism in ownership of farmlands. We are urging Congress to consider adding these provisions as a title under the 1990 farm bill. A copy of the details of this legislation is available.

Two, support a massive outreach and education program to serve minority limited resource and family sized farmers with information to assist them to remain in farming and help develop rural communities. The Federation of Southern Cooperatives and 1890 historically black land-grant colleges have shared in an FmHA/USDA initiative called the small farms technical assistance project. This $1 million per year effort needs to be increased to at least $5 million annually, with funding through the 1890 land-grant colleges, but also community based groups such as the federation, who can deal directly with minority and limited resource farmers.

Three, more loans and equity investment funds at reasonable interest rates are needed to support cooperative and family farmers. Capital and development purposes, especially for community based projects is in short supply in rural depressed communities.

The Federation of Southern Cooperatives/Land Assistance Fund is prepared to provide additional information and details of our recommendations and concepts to this hearing.

Again, thank you, Congressman Espy, for allowing me to speak on behalf of farmers.

[The prepared statement of Mr. Burkett appears at the conclusion of the hearing.]

Mr. ESPY. Thank you, Ben. And thank all of you for coming and for presenting some excellent testimony.

Let me ask you, Larry and Peggie, you represent successful businesses, right? We know that there are so many others that have tried and basically failed, and I want to ask you what do you attribute your success and why have you succeeded and so many others have failed? Let me ask you also, we have the SBA, we have the Department of Commerce, we have the Department of Defense which has already, as has been said before, focused upon this problem of identifying minority vendors and basically through legislation set aside, Larry, 5 percent of the DOD procurement dollar. And again, I remind you, we are talking about $297 billion. We have not done any better than allowing—or getting about a 2.3 per-

cent participation in this program. Why not? Is it our fault, is it the fault of the minority vendors or is it a lax attitude on the part of these agencies?

Mr. FARMER. Well, Congressman, in responding to the first part, I think the success is relative. I would be reluctant to say we have been successful, but we have been able to make some achievements over the years. I attribute that to tenacity, vision, having the availability of affordable capital and persons with a great deal of skill and stick-to-it-iveness.

As to why not more, it is a difficult question to answer. For example, in the case of an organization I sit on the board of directors of, Delta Foundation, which owns for-profit manufacturing ventures, because it did not have individual black ownership had to threaten to sue SBA to get certified as a minority contractor. So that speaks to the regulatory part of how they are structured.

I think there needs to be more streamlining of regulations, I think there needs to be more advertisement and promotions of various opportunities available to minority business through various set-aside programs at the Federal and State level. And we would rather I think continue to—and Ms. Henderson put it eloquently—to sell quality, both in product, service, and competitive pricing.

Mr. ESPY. Peggie.

Ms. HENDERSON. Yes, Congressman. When they call and asked for a success story, I did not know why they called our company, but that is why my comments were so brief because of the success part. I do appreciate you asking this question because now it gives me a chance to really—it would take all the time that you need and we are already out of time, so I do not have time to elaborate.

Mr. ESPY. We want to allow you to make a contribution for sure.

Ms. HENDERSON. OK. What Mr. Thomas mentioned earlier, the procurement problems, we have had that and we started out with our company on the Government side and we found out that through all the technical redtape we had to go through, we decided to go to the major corporations. We have been in business 2 years and we just got two contracts with those major corporations—I cannot recall their names at this time. But it took 2 years of going back and forth to do this and it should not have been that way.

I think a lot of technical help—and to do something about the procurement system would really, really help the situation.

Mr. ESPY. Ben, I do not know if you were here when the Treasurer Marshall Bennett testified and he talked about the alternative crop program, which is a sanctioned State program. And I asked him why had it not done a little bit better. What do you think?

Mr. BURKETT. Most of the farmers we deal with, especially here in the Second District, are traditional row crop farmers. It is hard to change the attitudes of farmers in a short period of time. I do believe that program he was talking about is a very fine program and we are working with several farmers to get involved in the crop program, but it is a matter of timing and changing people's attitudes.

Mr. ESPY. It is a new program you are saying and it has not had a chance for the community to know about it and be available to take advantage of it.

Mr. BURKETT. To know about it.

Mr. ESPY. Larry—I am sorry, go ahead.

Mr. FARMER. Just in the way of why a lot of minority businesses do not do business or do not seek out Government contracts, oftentimes the fact of the time length involved in the date of sale of a good or a service to the Government and the date of receipt of a check—I know in one instance one of our companies, we decided we did not want it after we had it. We had approximately $200,000 billed to the Government and by the time we got the check back, that $200,000 in sales cost the organization over $225,000.

Mr. ESPY. We had a panel earlier today on private incentives, we had representatives here from some of the larger companies in Mississippi and in the southeast. Beyond what you could say to Government and to the public officials, what would you say to these private agencies? And they do have a lot of capital and could become involved in development of small business opportunities. What would you say to them specifically to encourage them to get involved?

Mr. FARMER. Two things, if they are serious about minority business development and not just lending lip service. One, assist us, use your technical resources, assist us within the minority community to develop the individual and human capacity that we need to be successful business persons and second, work with local lending institutions within those jurisdictions throughout the delta to establish special capital pools that minorities could access without all the rigors and redtape associated with Federal and State dollars. It has been successfully done in other communities and some of these very same companies are doing it in other places, other parts of the country.

Ms. HENDERSON. I too could say the same, just assist us in how their companies buy.

Mr. ESPY. Are there any market voids that minority businesses could fill that you can identify?

Ms. HENDERSON. I do not know about voids, but participation in some of the mainstream markets—I am afraid when we look at minority business oftentimes, Congressman, we are suggested to go to the alternative routes. The mainstream works for mainstream America which is predominantly white, to participate in the mainstream. But I am sure there is, one just does not readily come to mind.

Mr. ESPY. Thank you. Yes, Ben.

Mr. BURKETT. One thing we are looking at from the agricultural standpoint is the processing of the raw product within the district here, such as cotton or catfish, some spin-off industries that some of our cooperatives can maybe get involved in, as well as vegetable production and processing and canning of those products here in the State of Mississippi.

Mr. ESPY. Thank you. Unless you panelists have anything else to offer, I would like now to move toward the summary of these hearings.

Does the chairman have any concluding comments, if he is in the audience or available in the auditorium, we would appreciate his return to the panel so that he could offer comments. And while he is doing that, let me make a couple of comments of my own.

First of all, I would like to thank Mayor Henry Espy and the officials of the city of Clarksdale for accommodating us and being so hospitable to us. I would like to also thank the participants, the witnesses who would drive from Missouri and Alabama and all over Mississippi for this hearing, representing the public sector and the private sector and the chambers of commerce. And let me also thank, in his absence for the moment, Chairman Glenn English. Again, this is a vacation period for Congress. We worked pretty hard since January and this is the first opportunity that most of us have had a chance to come home and again, most of us would like to be with our families, but he took time to come to Clarksdale when others are out in other points of interest all over the world.

But it is no mistake that we are here. We will be marking up a farm bill which would include a major rural development component and I do sense a change in the attitude of our urban members because they realize that if we allow rural America to die, then basically we are going to lose the heart and soul of this Nation of ours. The chairman was correct in his assessment earlier that it is immensely political because we are outranked about 9 to 1, there are more of them than there are of us. But as I told some of my urban colleagues during our vote on the transportation appropriations bill in which I voted for Amtrak. I said we do not have any subways and we do not have Amtrak in Itta Bena, but I am going to vote for you and your programs so when it comes to voting for a comprehensive rural development program, you had better vote for us, and that you should remember that.

And last, I do see a new attitude. The Congress—the Senate of the United States did mark up its own rural development bill. Again they dedicated about $300 million from the Federal Treasury to development of this comprehensive rural development bill. I do not think it is enough money, but I think it is a tremendous start and it does say that they do recognize that we have some problems and we have to dedicate our minds toward these new solutions.

Earlier today, Mayor Espy talked about a chain. We have 50 States and they do really represent our comprehensive national chain. But in order to make that chain stronger, we really must focus our resources on the weakest link. That weak link is rural America and I am just certainly satisfied that through this hearing today and the others that the chairman will conduct throughout this great Nation of ours, that we can strengthen that weak link.

Thank you for allowing me to be here and thank you so much, chairman, for coming to Mississippi.

Mr. ENGLISH. Thank you very much, Mike. I want to say how much I appreciate the opportunity to be here. The hospitality has been tremendous, everybody has been very kind to us and I just want to say that with Mike Espy as your Congressman, we can take on that 9 to 1 urban majority, one Mike Espy is certainly worth nine urban members, I do not think there is any question about that, Mike.

And also I want to say that the testimony we have received here has been very good. It certainly has put an emphasis on the needs of this region and that is important to us. We will be visiting other regions of the country. Every area has its own particular needs and we want to make sure that the rural development bill that we craft

is one that is responsive to the needs of Mississippi and this whole area. You have helped us do that today and certainly with Mike's fine work on the subcommittee, I know that he will make sure that our legislation does in fact work for Mississippi.

But I think that we have a good chance to turn things around in rural America, I think we have a good chance to come up with a good rural development bill and I think we have a good chance to see a brighter rural future than we have seen in the past.

So with that, I want to thank you. We will recess, subject to the call of the Chair. Thank you.

[Whereupon, at 1:20 p.m., the subcommittee was recessed.]

[Material submitted for inclusion in the record follows:]

LOWER Mississippi Delta Development Commission

A Report Prepared by
The Coahoma County Committee on
The Lower Mississippi Delta Development Act
Clarksdale, Mississippi

A Committee of The Coahoma County Chamber of Commerce & Industrial Foundation, in conjunction with the following:
Coahoma County Board of Supervisors;
The Board of Mayor & Commissioners, The City of Clarksdale;
The Industrial Authority of Coahoma County;
The Northwest Mississippi Regional Medical Center;
Coahoma Junior College; & Private Business and Industry.

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Report on **Infrastructure**

Sub-Committee Members

Clarksdale/Coahoma County, Mississippi

A Special Report To

The Lower Mississippi Delta Development Commission

From

The Coahoma County Committee on The LMDDC

Prepared & Coordinated by:
The Coahoma County Chamber of Commerce
& Industrial Foundation
Post Office Box 160
Clarksdale, Mississippi 38614
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This Report Prepared For
George Walker,
President,
Coahoma County Industrial Foundation

Preface

The Coahoma County Chamber of Commerce and Industrial Foundation have been aware of the efforts to establish a commission to study the needs of the lower Mississippi Delta area since a delegation of Coahoma Countians from Mississippi and Phillips Countians from Arkansas met with Arkansas Senator Dale Bumpers in Washington on March 17, 1987, and later met with Mississippi Congressman Mike Espy.

During that week, both Congressman Espy and Senator Bumpers learned of our efforts to start an organization called The Mid-Delta Development Association, which combined five counties (three in Mississippi and two in Arkansas) into an association to try to deal with the mutual problems of the counties and to seek solutions to those problems. Today the Mid-Delta Development Association is active and has at least partially accomplished two of its goals; those being the enactment of legislation to establish the Helena Industrial Harbor and funding for a runway extension at Clarksdale's Fletcher Field airport, both aids to economic development.

The vision that Senator Bumpers and Congressman Espy had, as a prelude to the formation of the Lower Mississippi Delta Development Commission, inspired and motivated us to begin evaluating the strengths and weaknesses in Coahoma County that almost certainly are prevalent in most of the counties in the lower Mississippi Delta area in all seven states covered by the Act.

Even though we realized that much research would be done by the Commission and its staff, and that much of the research would be carried out by institutions within the seven states, we felt that the Commission would be interested in hearing what local communities feel is needed to strengthen the area.

Toward that end, The Coahoma County Chamber of Commerce formed a committee in December, 1988, to begin to methodically search for ways in which to improve the economy and quality of life in our area and to formalize the findings in order to submit a report to the Commission.

A cross-section of the people in the community were asked to serve on six sub committees and to begin to assess the strengths and weaknesses of our area so that the true needs could be determined. Sub-committee members were chosen from white-collar and blue-collar employees, across ethnic lines, from retail, commercial, agricultural and manufacturing enterprises, from local government, from educational institutions and the medical profession, and from civic and community activists.

The task of determining specific needs were divided into six target areas of opportunity, with some sub-categories. They are:

(1) **Transportation**
   a. Highways
   b. Air
   c. Rail
   d. Water
(2) **Economic Development**
   a. Industrial
   b. Agricultural
   c. Tourism and Recreation
(3) **Education and Training**
   a. Free Enterprise
   b. Skills Training
   c. Literacy
   d. Public-Private Partnerships
(4) **Housing**
   a. Public Sector
   b. Private Sector
   c. Single Family
   d. Multi-Family
(5) **Health Care**
   a. Hospitals
   b. Elderly Care
   c. Indigent Care
(6) **Infrastructure**
   a. Utilities
   b. Streets
   c. Downtown Revitalization

The major thrust of this report is to point out needs in a rural, Mississippi Delta community that are the same in many communities like ours throughout the lower Mississippi Delta.

Enclosed are the full reports of each sub-committee, but the major thrust of our over-all committee was to identify the needs, because many studies and research papers have already been done on the problems that are prevalent in the area.

We hope this report will assist the Lower Mississippi Delta Development Commission in setting goals for improving the lower Mississippi area and that the study completed by the Commission shows aspects of how to solve the problems that exist, rather than just identifying the problems.

In Coahoma County, we know that the federal government cannot play "Santa Claus" and dole out money to solve all our problems, but we also realize that the Commission and the federal government can help communities that want to help themselves. We are already attempting to make that effort with our time, talents and local money.

Please feel free to contact us if you feel we can work with the Commission in any way whatever. We certainly believe that the Commission is a very positive step in the direction of helping the most distressed area of the nation.

Thanks for your help and concern!

... *The Coahoma County Committee on The Lower Mississippi Delta Development Act*

Purpose:

The purpose of the "Coahoma County Committee on the Lower Mississippi Delta Development Act" is to channel community leadership in a direction that can obtain suggestions for local improvements that can be submitted to the Lower Mississippi Delta Development Commission for the future progress of the area.

It is the intention of the Committee to:

(1) Suggest ways that the LMDDC can positively impact the Coahoma County area and the lower Delta;

(2) Set priorities for submission and action on the projects discussed;

(3) Maintain contact with the members of the Commission and its staff;

(4) Serve as the liaison between Coahoma County and the Commission;

(5) Provide a support group for completing the study by the Commission;

(6) Encourage, through Congressional liaison, the enactment, funding and permanent establishment of the Commission.

Executive Summary

The Coahoma County, Mississippi Report of Prioritized Needs

Transportation

1. An up-graded four-lane highway system in the Delta providing for an alternate route south- and east-bound, thus relieving congestion in the Memphis area, to include Highways 49, 61 and 6 in Mississippi, and Highway 49 in Arkansas.

2. A mass transit rail system for commuting workers running from Memphis south through Clarksdale to New Orleans, to provide low-cost transportation for workers to get to Memphis jobs.

3. Support completion of the Helena, Arkansas, Industrial Harbor, and the development of Island 63 as a river service facility, between Friars Point, MS and Helena, AR.

4. The funding and installation of state-of-the-art navigational equipment and landing instrumentation at the Clarksdale Airport.

5. Rebuilding the railway system in the Mississippi Delta that was once operated by the Illinois Central Gulf Railroad.

Economic Development

1. Augmentation and expansion of vocational-technical facilities and the establishment of the necessary curriculum to train workers for the jobs of the future.

2. Development and funding for incentive programs to aid economic development of the Delta, to include: (a) direct incentive programs which allow federal tax abatements and credits to industries that locate in the Delta; and (b) federal loans and grants for new businesses and expansions, to include: low interest loans through a Revolving Loan Program, 90% loan guarantees through local financial institutions, a federally-sponsored venture capital pool, and legislation that would allow bank holding companies to form Venture Capital Companies to provide seed money for entrepeneurial loans for small business start-up.

3. The funding and establishment of a Delta-wide Cultural Center or museum to be housed in Clarksdale that would contain exhibits and displays of the Delta's diverse ethnic and cultural history.

4. Support the construction of a multi-purpose Exposition Center in Coahoma County that would house an exposition area, a business incubator, an industrial training facility and a farmer's market area.

5. Establish a research facility to concentrate on the development of value-added products, specifically soy products (soy sauce, tofu and cosmetics) and on the production of organic products.

Education & Training

1. Enhance the literacy program at Coahoma Junior College to include: development of curriculum methods and materials designed specifically for the rural adult learner, and a mobile teaching unit to allow the instructors to bring the course to the rural student.

2. A comprehensive needs study prepared with students, instructors, parents and community imput to determine the specific needs of the Delta students and the overall educational system in the Delta.

3. A lobbyist in Washington to represent the interests of education in Coahoma County and the Delta area.

4. A need for qualified, full-time counselors for all grade levels to advise students and parents.

5. A vital need for new physical facilities, equipment and materials necessary to upgrade the overall educational system in the Delta.

Housing

1. The need for a large amount of affordable single and multi-family dwellings so that every citizen of Coahoma County can live in a decent home, regardless of income, and of income levels of renters and buyers to allow them to purchase or rent homes.

2. A county-wide housing plan which encourages partnerships between financial institutions, construction firms and non-profit housing providers.

3. Establish a program for federally-subsidized housing which would allocate funds for Housing Counselors that could instruct the applicant in areas of property maintenance and periodically make inspections.

4. Create housing opportunities which will allow single family dwellings to be purchased with little or no down payment, and subsidized rental payments for multi-family dwellings.

5. The need for a re-structured property tax program requiring the elderly to pay some taxes. This program might be designed similarly to that of the Homestead Exemption program so that the tax on rental properties is not approximately double that of homestead property.

Health Care

1. The need to develop a perinatal project that would address: infant mortality, teen pregnancy, parenting classes, tracking, linkage to school systems to allow planning by special education officials, day care to teenage mothers on school premises to permit secondary education.

2. The need for additional and expanded geriatric services, including: nutritional education and feeding programs, health education capabilities to prevent unnecessary hospitalization, expanded nursing home beds, swing beds, home health services, homemaker services, adult day care, supervised group housing projects, and a centralized agency to act as a resource for community services.

3. The need for a transportation system for health services so that the indigent and elderly of our area can gain access to daily health needs.

4. The need for a resident psychiatrist hinders the development of inpatient psychiatric facilities in this area. There must be an expansion of substance abuse facilties and programs for education and outreach.

5. The need for capital to finance buildings and equipment, as well as staff enhancement is vital.

Infrastructure

1. Up-grade secondary roads and bridges.

2. Up-grade the solid waste disposal system without imposing a higher tax structure.

3. Up-grade the sanitary sewage system without imposing a higher tax structure.

4. Study and implement a method of maintaining our city and county's infrastructure (roads, sanitation, bridges, utilities, etc.) in the most efficient manner possible.

5. Improve the downtown retail area with additional parking facilities (preferably an enclosed parking garage), lighting, historical preservation, edifice facelifts, and a renovation and/or expansion of the City Auditorium.

(The complete report is held in the committee files.)

REMARKS OF DAVID R. HUNT ON THE SUBJECT OF RURAL ECONOMIC DEVELOPMENT BEFORE THE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT AT THE FIELD HEARING, CLARKSDALE CIVIC CENTER, CLARKSDALE, MISSISSIPPI, AUGUST 7, 1989

Mr. Chairman, I appreciate very much the invitation to make these remarks to your subcommittee. I am a practicing attorney here in the City of Clarksdale, Mississippi. A large portion of my practice is in the area of utilities and I assume that the invitation extended to me to offer my comments to this committee arises out of my representation of municipal electric utilities in this area. The City of Clarksdale, Mississippi, as does more than twenty other municipalities in Mississippi, owns its own electric utility system. It is a member of the Municipal Energy Agency of Mississippi (MEAM), a political subdivision of the State of Mississippi composed of the cities of Canton, Clarksdale, Durant, Greenwood, Itta Bena, Leland, Kosciusko, and Yazoo City. MEAM is a joint action agency formed for the purpose of planning and providing a reliable electric supply to its member cities.

MEAM is becoming very active in the area of economic development. In fact, Mr. Neil Davis, the new General Manager recently employed by that agency, in addition to his general management qualifications, has an outstanding background as an economic development professional. To the extent that local governmental units can be vehicles for economic development incentives, MEAM is uniquely situated to assist these local governments in their effort.

If anyone would question why I place emphasis on energy before a hearing on rural economic development, my answer is that the energy system is one of society's most basic infrastructures. My particular emphasis before this hearing is on electric energy for two reasons. There currently is an intense debate going on nationwide over electric utility issues. Secondly, there is native to this area a fuel which could be used to produce electric energy, and its use and development would have a tremendous impact on the economy of our area.

The form, reliability and cost of energy are essential to any program to promote economic development. While economic development in rural areas may not be totally dependent upon reasonably priced and reliable energy, I can assure you that excessively high energy costs or unreliable energy sources will in all circumstances hinder or deter economic development.

For that reason I would urge this committee to consider in its findings and suggestions for economic development in this area those issues which will determine the cost of energy in this region for the coming decades.

The City of Clarksdale, Mississippi, and the other seven members of MEAM are at present competing successfully in supplying low cost and reliable energy to the roughly 85,000 to 90,000 or so citizens and customers of these eight cities. The electric rates in these cities are at this time substantially lower in most cases than the neighboring utilities. However, these cities are competing in an age of uncertainty. Since as much as ten years can

pass from the initial planning of an electric power plant to its being placed in service, the utilities must plan now for the energy sources to be used in the year 2000. Yet the future is, as one writer has said, "less knowable than we once thought." Prior to the mid-1970's, no business had been more predictable than the electric utility business. Growth in energy demand was a "given". The relatively risk-free tasks were to arrive at an estimate of a fairly predictable rate of growth of somewhere between 4% to 7% per year over a five to ten year planning period and then to plan the addition of new sources of energy to meet this growth over the planning period. Now energy demand in five or ten years cannnot be predicted with a degree of confidence. One set of statistics indicates that the 1986 energy consumption in the United States was the same as in 1973.

In addition to the unpredictability of the growth of energy consumption, we have also experienced the volatility of interest rates which can and have fluctuated as much as 150% during construction of power plants.

Add to these variables the present uncertainty of national energy policy--or lack of it--and the normally cautious and conservative municipal utility executives must at times feel like high risk gamblers. In planning to meet the anticipated demand for energy in 1995 or 2000, which demand may or may not develop, the utility planner is uncertain as to what source of electric energy he should choose. Should he choose coal to fuel the generating plant in view of the twin threats posed by coal--acid rain and glo-

bal warming or the so-called "greenhouse effect"? The Administration's proposed amendments to the Clean Air Act, if adopted, would place a cap on sulphur dioxide emissions from new electric generating plants. Representative Dingell, Chairman of the Committee on Energy and Commerce in the House of Representatives, has expressed concern that these proposed caps on new plant emissions would hinder economic growth and result in other fuels being preferred over coal. In view of Chairman Dingell's reservations, assuming they are representative of many others in Congress, and the certain opposition of the majority of the utility industry--to say nothing of the coal and railroad industries--the adoption of the President's proposed amendments to the Clean Air Act are at best a toss-up.

Should the utility planner choose natural gas as a fuel for a generating plant? Natural gas burned in a combustion turbine does not pose the acid rain threat of coal. It contributes only a third as much of the so-called greenhouse gases per unit of electric energy as does coal and contributes even less if burned in a combined cycle unit. However, natural gas as an alternative fuel is fraught with the uncertainty of price and supply. We hear dire predictions of substantial price increases in the near future. We find that no one is willing to agree to a guaranteed price of natural gas for more than one year. Also we are told that our gas reserves are dwindling rapidly and that by the year 2010 our reserves that are recoverable by present technology will be depleted.

Should the utility planner consider nuclear power?

Nuclear power does not seem to be an option at this time. This nation's thirty plus years' experience in the nuclear power industry has demonstrated that very few electric utilities, regardless of size, are capable of managing the highly complex process of planning and constructing a nuclear power plant or even operating the expensive and unforgiving technology of nuclear power. There are reports that new nuclear technology such as the gas-cooled reacters are much safer to operate and perhaps these will provide an answer over the long term, but I agree with the view that two things must occur before the public will permit construction of new nuclear power plants. First, we must have ten or more years of operation of nuclear power plants without an accident. Secondly, there must be a change in the public perception to the point that the public views global warming caused by burning fossil fuels to be a greater threat to this planet than storing nuclear wastes.

Thus, the utility planner is faced with so much uncertainty that now, in August, 1989, he cannot confidently plan his future power supply sources--he must gamble.

On July 26, the Secretary of Energy, Mr. James Watkins, announced four regional public hearings to gather public opinion in order to form a comprehensive national energy strategy to be proposed by this Administration. This comprehensive national energy strategy must address these issues and propose a fair resolution, and Congress must enact these policies with dispatch.

Obviously, we believe that the economic base of this region can be enlarged, but if it is the least bit sensitive to energy costs or reliability of energy, then before the enlargement of this economic base can take place, there must be in place the national energy strategy and final energy policies that will determine the cost of energy in this area in the future. The policies to be adopted must be those which promise to give the electric consumers low cost reliable power in the best range of choices.

President Bush and Secretary Watkins have both said they favor reliance on the market to develop and control our energy system. While it is not difficult to agree with the concept since the United States Government intervention in energy over the past fifteen years has not seemed to be very effective, it would be a grievous error to turn the energy industry over to "the market"--particularly the electric transmission portion of the industry. For example, several of the relatively few large utilities which own the electric transmission in this nation want to replace government regulation of transmission with market forces. In other words, they claim that basing the access by others to transmission and the price of that transmission upon the market for bulk power supply will work better for all electric consumers than government regulation of price is now working.

Electric consumers and those utilities which do not own transmission want more power supply option. It is a mistake to believe that removing regulation of transmission access and pricing as the first step will lead to more power supply options for

electric customers for those utilities which do not own transmission. The order of events is crucial. First, government must require more access to the transmission system. Then the market forces in the bulk power supply market may develop, which in turn perhaps will prove to be effective in determining transmission costs.

The point is, market driven pricing will usually work if there are many competing providers of the service and many customers for the service. If there is a monopoly, regulation works better. Certainly transmission is the subject to a monopoly.

Another debate is raging around efforts to amend the Public Utilities Holding Company Act. Amending the Public Utilities Holding Company Act is fraught with danger for the electric consumer. While the claim is made that the amendments will lessen the risk for the investors and stockholders for whom the Act may have originally been intended to offer protection, risks to the electric consumer will be substantially increased. Socially beneficial competition will be the victim if the Public Utilities Holding Company Act is amended as now proposed. It is not socially beneficial competition to permit unregulated self-dealing between corporate subsidiaries, one of which has captive customers. Our national policy should be to promote competition of the kind where a customer may choose from a variety of options provided by suppliers whose foremost interest is quality service to the customer.

Finally, any national energy policy or strategy should be

one which encourages and promotes conservation, and promotes and develops new technology. The basic obligation of a utility is to provide reliable service at an affordable rate. In fulfilling this obligation, a utility planner has as much duty in planning for the future to consider conservation of electricity as to consider production of electricity. Since more return is to be made on greater capital investment under our traditional rate-making regulatory scheme, too many utilities are very aggressive in promoting energy consumption while ignoring those conservation technologies which not only may be in the individual customer's best interest but which offer enormous environmental advantages such as the reduction of sulphur oxides and the greenhouse gases. A striking example of the opportunity for conservation is contained in a recent study by the Electric Power Research Institute of new refrigeration equipment for supermarkets. Supermarkets use about 4% of all electric energy used in the United States. One-half of their energy use is in refrigeration equipment. This new equipment studied by EPRI resulted in an energy use reduction of 23%. Thus, the complete conversion to this new design of all supermarket refrigeration equipment in the United States would result in a savings of ½% of all electric energy consumption in the United States.

I would urge Congress, however, not to adopt as a policy to encourage conservation the imposition of taxes on energy such as on gasoline and electricity. Such taxes would fall most heavily on low income people and on residents of the south. A gasoline tax

particularly would have a great effect on residents of the south since the per capita gasoline consumption in this area is relatively high. These people should not bear a disproportionate part of the burden of alleviating national problems.

There are a great many other technical improvments that can be made over the long term, all of which are suitable objects of government-sponsored research and development--both in developing more efficient machines to reduce our demand for energy and in developing new technology to end our dependence on fossil fuels. If global warming and acid rain are as severe a threat from burning fossil fuels, as many believe, then the free market cannot be relied upon to provide the necessary new technologies as rapidly as we would seem to require.

It is clearly appropriate for government to sponsor new technology for those elements of our energy infrastructure that are not driven by market forces.

What does all of this have to do with rural economic development? These matters and issues and their resolution are going to determine the cost of energy in this and other rural areas, and the cost of energy in this area either is going to encourage economic development or is going to hinder it.

What direct impact will the resolution of these issues have on the economic development of Clarksdale's immediate area? It is obvious that what MEAM, its member cities, and their customers have to pay for fuel for the generating plants and the cost of power that is purchased elsewhere and transmitted into this area

will be determined in large part by these policies and the resolution of these issues. But there is an element of far greater impact and consequence. I would estimate that of the approximately $40,000,000 per year that the electric customers of Clarksdale and the seven other member cities of the Municipal Energy Agency of Mississippi pay for electric energy, $25,000,000 directly leaves this area; i.e., the Municipal Energy Agency of Mississippi and its member cities either purchase electric energy produced elsewhere and transmitted into this area or purchase coal and natural gas to fuel their generating plants, which coal and natural gas likewise is produced elsewhere and transported into this area. In other words, we are importing energy and exporting money. What impact would it have on the local economies of these eight cities if that $25,000,000 stayed here? We have here in our area a natural resource that can provide our electric energy. That resource is lignite--apparently vast quantities of it. MEAM undertook an effort with several other utilities several years ago to explore the feasibility of a lignite-fueled power plant. The other utilities apparently did not need any new generation capacity and the study floundered. Yet the lignite is there and MEAM and its members need to be planning their power supply for the later part of the next decade and into the 21st century. Yet MEAM and its member cities cannot proceed until we know what the national energy policy and strategy is going to be--particularly what the proposed Clean Air Act amendments will allow.

Needless to say, rural economic development would have actual meaning to Clarksdale if the lignite resources in this area of the Delta could be developed as a source of reliable and affordable electric energy.

Again, I respectfully urge this committee to weigh the consequences of proposed national energy policies on the future cost of energy in our area, to weigh the effect of energy cost on economic development, and to recognize the impact on a local economy of the development of local natural resources for energy supply.

Again, I thank you for permitting me to offer these comments.

THE IMPACT OF MEDICARE PROSPECTIVE PAYMENT SYSTEM ON THE NORTHWEST MISSISSIPPI REGIONAL MEDICAL CENTER, CLARKSDALE, MS

August 7, 1989

SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

My name is Clifford L. Johnson. I am the Executive Director of the Northwest Mississippi Regional Medical Center in Clarksdale, Mississippi. Since this hospital opened its doors in October, 1952, as a 100-bed hospital, we have been a leader in providing health care to the people of the Mississippi Delta. Our hospital was one of the first in the State of Mississippi to provide a Coronary Care Unit back in 1968; and we were the first hospital in the State to provide an LPN-to-RN Upgrade Program on premise. This progress and leadership has continued through the years to the present day.

Presently, we are a 194-bed fully accredited hospital. We have 44 doctors on our medical staff, 50% of whom are Board Certified specialists. We have an employee staff of over 550 employees, and our annual budget is over $32 million. We have all of the state of the art technology that is commensurate with being a regional referral center, though at the present we are not recognized as such by HCFA due to failure in meeting some of the case mix index criteria. In addition to being a regional leader in healthcare and medical technology, from an economic standpoint we are absolutely key to the viability of life in Coahoma County, Mississippi.

We recently completed a study of Medicare cost and reimbursement, comparing Fiscal Years 1980 - 1987. I would like to share some of that information with you. I would ask you to please note that all statistics used refer to cost and not charges. Therefore, when a loss is discussed today, it is a true loss where cost of providing care was not covered by reimbursement and not simply a loss due to receiving less than charges made.

The fact is Medicare cost has increased 99.38% from 1980 to 1987 at our hospital. During this time Medicare reimbursement of these costs has only increased 82.56%.

During 1980 our hospital had a Medicare loss of $1,533,388, which means that 70.2% of Medicare cost was reimbursed by Medicare. That year 46.17% of patients at this facility were Medicare patients. During FY 1987, our hospital lost $3,663,762 in the treatment of Medicare patients. Reimbursement went from covering 70.2% of cost in 1980 to only covering 64.4% of Medicare-related cost in 1987. It should be noted that 53.8% of our patients were Medicare patients in '87. Therefore, though a larger percentage of patients are Medicare, our hospital is receiving a lower percentage of reimbursement than in 1980. This means that for every Medicare patient admitted to our hospital, someone other than the patient or the government assumes payment for 36% of the care provided.

I am providing you as attachments to my remarks various statistical analyses which will indicate that since 1980 our hospital has experienced an increasing loss every year with the exception of 1984. Of greatest concern to me is the trend over the last two years, showing increases in losses of approximately $720,000 and $663,000 respectively. During these two years, the rate of increase in Medicare cost has been twice the rate of increase in Medicare reimbursement.

During 1984, Medicare related cost was reduced substantially. Reimbursement was also reduced almost dollar for dollar. During 1985, cost increased to a level greater than in 1983. And fortunately, reimbursement increased almost dollar for dollar as well. The real problem with PPS started in 1986. Reimbursement was cut substantially during a time when cost increased. This was largely due to the volume of patients. The percentage of Medicare patients increased from 47.5% in 1984 to 52.0% in 1985, and on to 53.4% in 1986 before becoming somewhat stable for 1987.

The primary reason for these gaps in 1986 and 1987 was reimbursement below market basket increases. Cuts in pass-through related costs are also extremely critical. Congress seems to be identifying hospital costs but refusing to pay them.

DRG's were initially established to cover a "reasonable" amount of the cost of providing care. On the average, they do not. The DRG system of payment is equitable ONLY when patients do not remain hospitalized very long and do not utilize very many hospital services. But let's face reality. People over 65 years of age have MORE health problems; become hospitalized MORE frequently; are SICKER and require a GREATER intensity of hospital services. You see the problem.

There's more. Included in the Medicare guidelines is a provision for add-on DRG reimbursement in hospitals like ours which care for a Disproportionate Share of low income patients. This add-on payment is calculated according to an Urban/Rural formula. The rub is that urban hospitals and rural hospitals are paid quite differently. I've provided documentation to you on the specifics of these Disproportionate Share Add-ons, but the bottom line is this:

An urban hospital has to provide less indigent care to get a higher add-on payment than a rural hospital. The rural hospitals are discriminated against and are required to provide more indigent care to get a lesser percentage of add-on pay. Now that sounds complicated, but in dollars and cents this is how it translates:

If the Medical Center in Clarksdale, MS, had been receiving the same percentage of disproportionate share add-ons as an urban facility with like patient mix, our payment would have gone from $279,000 to over $1,046,250 last year.

In the same vein, all URBAN hospitals have an individual wage index factor. RURAL hospitals are lumped together into one index. This is blatantly unfair in that the services rendered in rural hospitals differ drastically from hospital to hospital - from very sophisticated facilities like ours to small rural hospital that are little more than first aid stations. In dollars and cents, the Medical Center in Clarksdale, Mississippi, would have received $653,408 more during FY 1988 if we had been paid at the same rate as urban hospitals in Jackson, Mississippi.

Taking into consideration all prospective payment rates that are differentiated along urban/rural lines, our rural hospital would have received an additional $373,264 (excluding the increase for wage index discussed above) IF it had been paid on the urban rates. In Clarksdale, MS, this makes a critical difference in our ability to stay alive.

Ladies and gentlemen, if the Congress of the United States does not quickly respond to the inequities in the Medicare program I have outlined today, then a genuine threat exists to those hospitals that fall in the rural and disproportionate share categories. What I am concerned about is the possible failure of the healthcare system in grassroots' America. If you think it costs money to maintain a quality hospital in today's marketplace (and it does), I cannot imagine the cost to the American taxpayer in trying to resurrect a healthcare system that has been allowed to fail through default!

Another blow below the belt is the permanent delay of Medicare payments. These federally mandated delays have caused major damage to our tenous cash flow position, actually robbing almost half a month's operating cash away from our hospital. With suppliers pressing for faster payments, Medicare delays in payment are crippling.

In order to help the Northwest Mississippi Regional Medical Center and other rural hospitals like ours, I would like to make the following recommendations:

1) Disproportionate Share Add-ons should be made equal by bringing the rural hospital rate up to the urban rate or by equalizing the rate between the two. We do not see the need to differentiate between rural and urbans. This rate should be based solely on the percentage of low income patients taken care of by a particular hospital.

2) Increase the Labor and Non-labor factors in the PPS rate, bringing the rural hospitals up to the urban hospitals' level or by making the urban rates and the rural rates equal somewhere in the middle.

3) Totally abandon the Wage Index Rate that is currently being used in the computation of the PPS rate.

I appreciate your time and interest in our needs. Thank you.

NORTHWEST MISSISSIPPI REGIONAL MEDICAL CENTER
MEDICARE EXPENSES AND REIMBURSEMENT
FOR FISCAL YEARS 1980 TO 1987

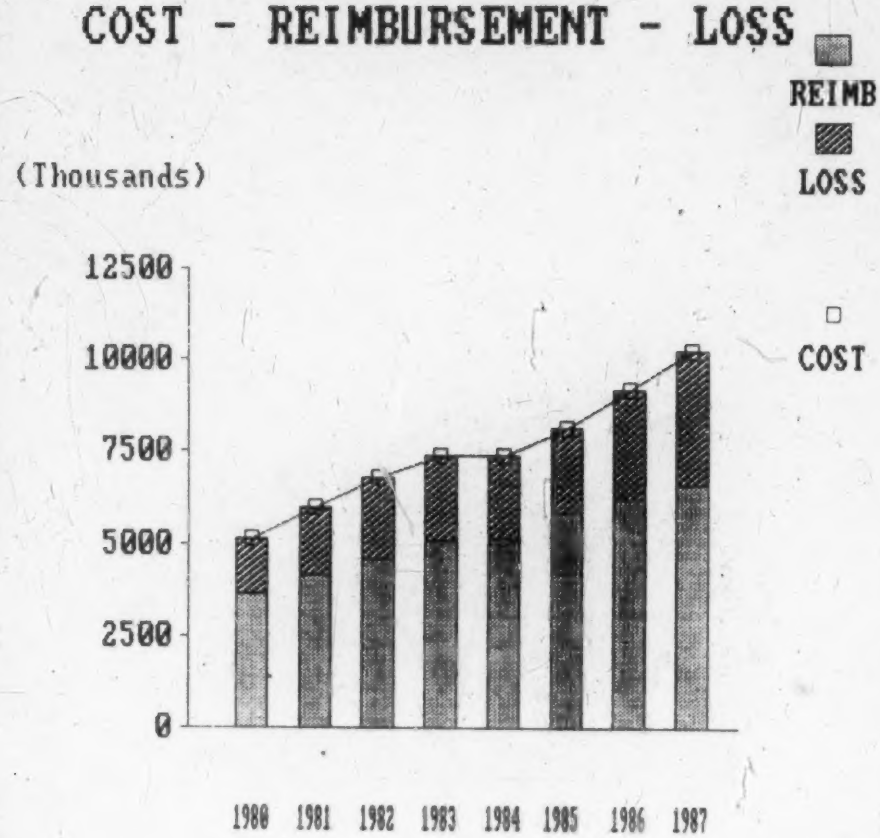
	MEDICARE COST	MEDICARE REIMB	ACTUAL MEDICARE LOSS	INCREASED MEDICARE LOSS
1980	5,140,253	3,606,865	1,533,388	32,247
1981	5,961,992	4,110,346	1,851,646	318,258
1982	6,795,890	4,592,752	2,203,138	351,492
1983	7,373,180	5,057,668	2,315,512	112,374
1984	7,368,128	5,111,357	2,256,768	(58,744)
1985	8,118,497	5,837,485	2,281,012	24,244
1986	9,178,658	6,177,423	3,001,235	720,224
1987	10,248,564	6,584,802	3,663,762	662,526

	INCREASE IN M/CARE COST	INCREASE IN M/CARE REIMB	INCREASED MEDICARE LOSS
1980	333,098	300,851	32,247
1981	821,739	503,481	318,258
1982	833,898	482,406	351,492
1983	577,290	464,916	112,374
1984	(5,055)	53,689	(58,744)
1985	750,372	726,128	24,244
1986	1,060,162	339,938	720,224
1987	1,069,905	407,379	662,526

	% OF M/C COST INCREASE	% OF M/C REIMB INCREASE
1980	6.48%	8.34%
1981	15.99%	13.96%
1982	13.99%	11.74%
1983	8.49%	10.12%
1984	-.07%	1.06%
1985	10.18%	14.21%
1986	13.06%	5.82%
1987	11.66%	6.59%

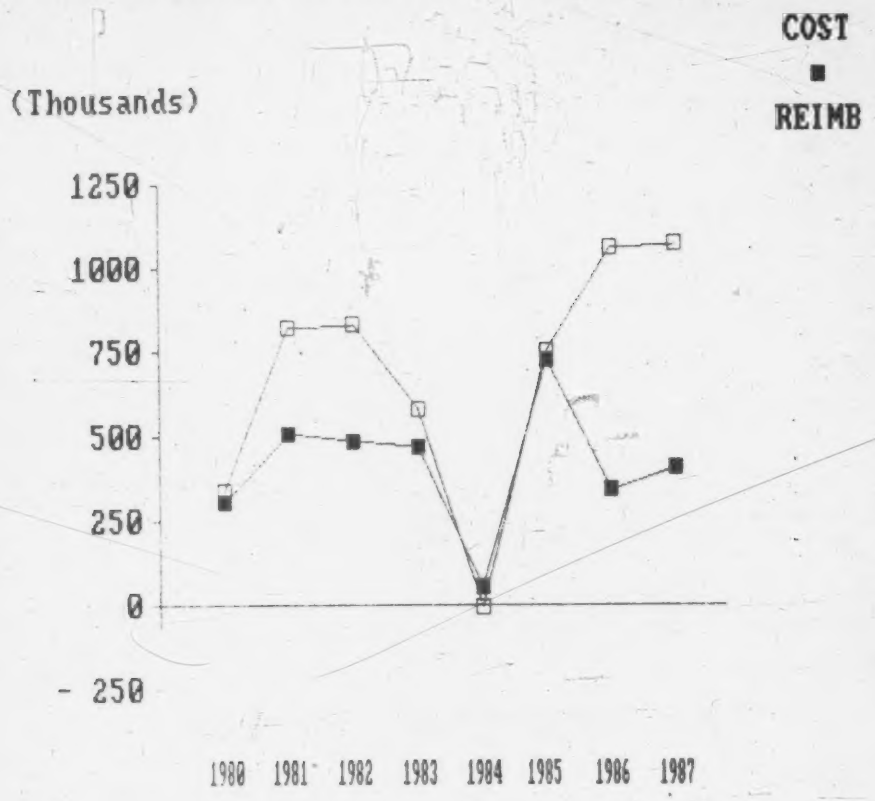
	% OF M/C COST REIMBURSED	M/CARE % OF PATIENTS
1980	70.17%	46.17%
1981	68.94%	45.87%
1982	67.58%	48.46%
1983	68.60%	49.85%
1984	69.37%	47.54%
1985	71.90%	51.96%
1986	67.30%	53.39%
1987	64.25%	53.79%

NORTHWEST MISSISSIPPI REGIONAL MEDICAL CENTER
FOR FISCAL YEARS 1980 TO 1987



NORTHWEST MISSISSIPPI REGIONAL MEDICAL CEN.
FOR FISCAL YEARS 1980 TO 1987

INCREASES: COST VS REIMBURSEMENT



HEARING

Subcommittee on Conversation, Credit and Rural Development

Explanation of disproportionate share payments:

Disproportionate share payments are added payments that are made to a hospital that treats a disproportionate share of low income patients. Low income patients are those patients who qualify for Medicaid and those patients who qualify for Medicare who also draw SSI benefits.

Two percentages are involved with disproportionate share payments. The first is the percentage of Medicaid patients treated added with the percentage of Medicare patients who draw SSI. This total is the qualifying percentage. Second is the add-on percentage which is the percentage of increase in payments received by hospitals.

Currently there are three classifications of hospitals in the disproportionate share system: Urban, Rural, and Certain State Funded Hospitals.

To receive disproportionate share funds an Urban hospital must have a minimum qualifying percentage of 15%. With a qualifying percentage of 15% an Urban hospital would receive an add-on percentage of 2.5%. The add-on percentage is calculated for Urban hospitals based on the qualifying percentage. Therefore, the maximum add-on percentage for an Urban hospital is 15% and is received when the qualifying percentage is equal to or greater than 40%.

To receive disproportionate share funds a Rural hospital must have a minimum qualifying percentage of 45%. With this qualifying percentage the hospital would receive an add-on percentage of 4%. This is also the maximum percentage that a Rural hospital can receive.

Certain State Funded Hospitals can receive the maximum add-on percentage of 15% the same as Urban hospitals.

In summary:

Rural hospitals must have a qualifying percentage of 45% to qualify for a 4% add-on payment

Urbar hospitals need only have 40% qualifying percentage to qualify for a 15% add-on payment

For fiscal year 1988 the Northwest Mississippi Regional Medical Center received $279,000 as a Disproportionate Share Adjustment. This is the 4% add-on to the DRG payments.

If the NWMRMC had been receiving the same percentage as an urban facility with the same percentage of low-income patients as admitted here, the amount of the Disproportionate Share adjustment would have been $1,046,250.

Explanation of prospective payment rates:

Prospective payment rates are made up of three factors:. Labor Related Factor, Non-Labor related Factor, and the Wage Index. Separate Labor and Non-Labor rates are set for Urban and Rural hospitals. Each Urban hospital has it's own wage index, however, Rural hospitals are grouped together by state.

The following is a list of the discrepancies in the wage index for Urban and Rural areas:

Memphis, TN	.9480
Jackson, MS	.8134
Biloxi-Gulfport, MS	.8089
All Rural MS Hospitals	.7193

If the NWMRMC were receiving payments based on the same rate as an Urban hospital in Jackson, MS, each discharged patient would have generated approximately $209.00 in additional payment. This would have translated into approximately $653,408 during FY 1988.

The breakdown of the two other components of the prospective payment rate follow:

URBAN		RURAL	
LABOR RELATED	NON-LABOR RELATED	LABOR RELATED	NON-LABOR RELATED
2,278.71	691.84	2,219.89	614.82

If the Rural hospital in Clarksdale, MS, had been treated equally with the Urban hospitals during FY 1988, the NWMRMC would have received an additional $373,264 excluding the increase for the wage index calculated above.

Some progress was made in the area of Labor and Non-Labor factors during 1988, however, the discrepancies are still very large. The misconception is that it cost more to operate a large Urban Hospital than a midsize Rural hospital. In many cases this is not true. It is considered that Urban Salary and Wages are higher than Rural Salary and Wages. However, the exact reverse is true in many cases where the Rural facility must pay more to persuade a prospective employee to relocate to the rural area. This is generally not the case in an Urban facility due to the availability of adequate qualified staff in the Urban area.

It is also considered by many that supplies are more costly to an Urban facility than a Rural facility. Again in many cases the exact opposite is true. The Urban facility can buy supplies at a lower price by buying in larger quantity. Also freight is generally more costly to have supplies delivered to Rural areas than Urban.

HEARING

Subcommittee on Conservation, Credit and Rural Development

Comparison of Rural and Urban: Wage Index, Labor Factors, Non-Labor Factors and Disproportionate Share:

The dollars shown in the following table are the additional amounts that would have been received by the various facilities if they had received the same rates as an urban facility. These amounts are estimated for fiscal year 1988.

The first column below reflects the difference between the wage index for Urban and Rural facilities. The second column reflects the difference between the labor and Non-Labor related factors. The third column reflects the difference between the disproportionate share paid to urban and rural facilities. This is the area of greatest injustice.

HOSPITALS	WAGE INDEX	LABOR/NON-LABOR FACTORS	DISPROPORTIONATE SHARE
NORTHWEST	653,408	373,264	1,046,250
BOLIVAR CO.	390,402	190,541	576,387
G'WOOD LEFLORE	670,254	382,334	776,377
DELTA MEDICAL	462,516	853,807	----

COMPARISON OF COST - URBAN VS RURAL

It has been stated that the cost of doing business for an Urban hospital is more than the cost of doing business as a Rural hospital. This is simply not the case. Comparing cost in our hospital and with Urban hospitals in our area proved this to not be the case. The table below will show the difference in some supply costs between our hospital and urban hospitals in our area:

DESCRIPTION	OUR COST	URBAN HOSPITALS
Medtronic #5985 Pacemaker	$ 3,700.00	$ 2,800.00
Medtronic #4011-58 Lead	650.00	585.00
DuPont Film 14 x 17	146.29/bx	140.45/bx
Disp. Lap Pack J&J #1259	12.40/ea	10.19/ea
Surgeons Gloves, Travenol	14.75/bx	13.00/bx
IV Placement Units Jelco	1.33/ea	.60/ea
Lab Reagents:		
Abbott HCG Urine Beta	90.00/ea	85.00/ea
Abbott Phenobarbital Kit	305.00/ea	245.00/ea

[illegible] of services provided and not simply Urban vs Rural. All [illegible] should be looked at on an individual basis rather than [illegible] rural hospitals included in one group as they are.

Julia Hines Mabus

THE GOVERNOR'S MANSION
JACKSON, MISSISSIPPI 39201

Comments to Agricultural Subcommittee
on Conservation, Credit and Rural Development
Clarksdale, MS 8/7/89

The particular problems of rural development are certainly evident in Mississippi. Our economy has been based on small towns and agricultural enterprises, and we are facing the challenge of meeting human needs in often remote locations.

The report on Adolescent Pregnancy in the South, which was a project of the Southern Governor's Association, says that the single most critical element in the prevention of adolescent pregnancy is a child's hope for the future. Whether or not a child feels that he has the opportunity to build a future affects every aspect of his life. This very same belief applies to our people in rural Mississippi. They must feel that they are able to support and care for their family. They need to know that their children are well cared for and that they have the skills to build a future.

This of course brings to focus the two areas that I am involved with -- child care and literacy.

In the area of literacy, we find that almost 30% of our adult population has less than an eighth grade education, with a higher percentage living in rural areas. It is absolutely necessary that we find new delivery systems.

I am excited about a project that will be operational October 1 in the Yellow Creek area. Thanks to the generosity of the Frito-Lay Corporation and several other private benefactors, we are outfitting an 18-wheeler trailer rig with the latest computer technology to travel to different worksites to do basic skills training. This will bring the most innovative interactive video technology to rural Mississippi to give our workers the skills they need for the future. This is the kind of program that can literally bring jobs and hope for the future.

Another literacy program that has a different focus is a program up in Rolling Fork in Sharkey County. Annie Brown is a volunteer and through tremendous energy and effort has formed a large community group with several different types of skills and literacy training groups. This sort of grass roots organization is critical for small towns that don't have existing programs. It is most successful because it came from the needs of that particular community.

The most exciting and innovative literacy projects we are starting are in mostly small towns in Mississippi.

Child care in rural areas also requires a special approach. In Mississippi, nearly 20% of rural families live in poverty. In seven rural counties, between 30% and 40% of all families live in poverty. Too few licensed child care slots exist in these areas. However, we have several projects that are designed to meet these specific needs. In Greenwood, we have begun a HIPPY project. The Home Instruction Program for Preschool Youngsters is the Israeli model and, like Arkansas, we feel that it offers an opportunity to break the cycle of poverty. It teaches mothers to teach their own preschool children, and both benefit in innumerable ways.

We are also working in Hazlehurst with teen parents and offering developmental child care while mothers can complete their education.

The people of rural Mississippi embody the strength and tenacity that we must have to bring the future to our state. It is our responsibility to give them the skills and support that will make it happen.

STATEMENT OF

MARSHALL G. BENNETT

TREASURER OF THE STATE OF MISSISSIPPI

BEFORE THE US HOUSE OF REPRESENTATIVES AGRICULTURAL SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT
AUGUST 7, 1989 IN CLARKSDALE MISSISSIPPI

MR. CHAIRMAN AND MEMBERS OF THE HOUSE OF REPRESENTATIVES AGRICULTURAL SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT, I AM MARSHALL BENNETT, TREASURER OF THE STATE OF MISSISSIPPI. I LIVE IN OUR CAPITAL CITY, JACKSON, MISSISSIPPI, BUT WAS BORN AND GREW UP IN RURAL HOLMES COUNTY, LOCATED HERE IN THE SECOND CONGRESSIONAL DISTRICT. IN 1987 THE CITIZENS OF THIS STATE ENTRUSTED ME TO MANAGE THEIR MONEY AS WELL AS SERVE ON THE STATE ECONOMIC DEVELOPMENT BOARD, THE STATE STRATEGIC PLANNING TASK FORCE, THE MISSISSIPPI DEVELOPMENT BANK BOARD, THE STATE RETIREMENT BOARD AND THE STATE BOND COMMISSION. THIS HAS GIVEN ME A UNIQUE PERSPECTIVE ON MISSISSIPPI'S RESOURCE PROBLEMS,

I AM PLEASED TO APPEAR BEFORE YOU TODAY TO TESTIFY ON RURAL ECONOMIC DEVELOPMENT, THEREFORE YOUR COMMITTEE, MR. CHAIRMAN IS TO BE COMMENDED ITS THE STRONG SUPPORT AND COMMITMENT TO THE PEOPLE AND PROGRAMS THAT ARE BUILDING RURAL AMERICA AND WE HOPE THE CONGRESS WILL NOT ALLOW THE BUDGET RESTRICTIONS TO TERMINATE HOPES OF RURAL ECONOMIC DEVELOPMENT.

WE HAVE NOTED THAT CONGRESSIONAL LEADERS, CONGRESSMAN ENGLISH, AND OUR OWN CONGRESSMAN MIKE ESPY, HAVE CONTINUED TO FIGHT FOR PROGRAMS THAT MISSISSIPPI AND RURAL AMERICAN NEED SO DESPERATELY. PROGRAMS FOR HEALTH CARE, SOCIAL SERVICES, HOUSING, INFRASTRUCTURE, AGRICULTURE, AND TAX EXEMPT BONDS. THESE PROGRAMS HAVE KEPT MISSISSIPPI FROM SINKING FURTHER INTO THE DESPAIR OF INADEQUATE RESOURCES.

WHEN THE TERM "RURAL" IS USED, THERE MAY BE NO COMMONLY ACCEPTED DEFINITION ACROSS THE UNITED STATES AS TO WHICH GEOGRAPHIC AREAS ARE BEING DESCRIBED, BUT FOR US HERE, IN THE STATE OF MISSISSIPPI IT MEANS HAVING INADEQUATE WATER AND SEWER INFRASTRUCTURE, SUBSTANDARD HOUSING, THE LOSS OF POPULATION, THE PLIGHT OF BANKRUPT FAMILY FARMERS, AND THE POVERTY OF THE JOBLESS AND LOW-SKILLED. THESE ARE ONLY A FEW OF THE PROBLEMS THAT HAVE HAMPERED THE ABILITY OF RURAL LOCAL GOVERNMENTS TO FINANCE BASIC PUBLIC SERVICES AND AT THE SAME TIME DEAL WITH THE PROVIDED NEW SERVICES AND DEVELOPMENT OF PUBLIC WORKS FACILITIES.

MY PURPOSE IN APPEARING TODAY IS TO EXPRESS MY GRAVE CONCERN OVER THE PRESENT AND FUTURE OF RURAL ECONOMIC DEVELOPMENT. THE FUNDING LEVEL AND POLICIES FOR THE FOLLOWING PROGRAMS ARE CRITICAL TO US:

LOANS AND GRANTS FOR WASTEWATER AND COMMUNITY FACILITIES

COMMUNITY DEVELOPMENT BLOCK GRANTS

PUBLIC WORKS GRANTS-EDA

FMHA RENTAL HOUSING LOAN PROGRAMS

FMHA BUSINESS LOANS

APPALACHIAN REGIONAL COMMISSION

DEPARTMENT OF INTERIOR RECREATION GRANTS

TENNESSEE VALLEY AUTHORITY ECONOMIC AND COMMUNITY

LOWER MISSISSIPPI DELTA DEVELOPMENT COMMISSION

WE KNOW THAT MORE MAJOR CUTS ARE PROPOSED AS WELL AS SOME TERMINATION OF PROGRAMS THAT ARE LIFE LINES TO RURAL MISSISSIPPI.

FMHA

I ASK THIS COMMITTEE, AND THE UNITED STATES GOVERNMENT TO INSURE THAT THE FARMERS HOME ADMINISTRATION CONTINUE TO BE ABLE TO ASSIST MISSISSIPPI RURAL MUNICIPALITIES AND ASSOCIATIONS TO REPAIR AND BUILD THE BASIC NECESSITIES OF LIFE - WATER, SEWER, AND SHELTER.

MR. CHAIRMAN, YOU HAVE SEEN LOW INCOME RURAL FAMILIES WHO ARE RESIDING IN SINGLE FAMILY HOMES AND IN APARTMENTS MADE POSSIBLE ONLY THROUGH FMHA FINANCING. FOR THESE FAMILIES, AND FHMA HOME OWNERSHIP LOAN OR DECENT APARTMENTS IS A ONCE IN A LIFETIME OPPORTUNITY TO PARTICIPATE IN THE AMERICAN DREAM. THESE FAMILIES CAN BEGIN BUILDING A FUTURE BASED ON ECONOMIC STABILITY, PRIDE OF OWNERSHIP, AND A CHANCE TO RAISE A FAMILY WHOSE MEMBERS WILL NEVER AGAIN BE FORCED TO LIVE IN UNJUST POVERTY.

AS PART OF THE FEDERAL DEFICIT REDUCTION PROGRAMS, THE FARMERS HOME ADMINISTRATION HAS DEVELOPED A LOAN REPURCHASE PROGRAM WHEREBY MISSISSIPPI CITIES AND TOWNS CAN PREPAY THEIR FARMERS HOME WATER & SEWER LOAN AT A SUBSTANTIAL DISCOUNT FROM FACE VALUE.

IN THE PAST FMHA HAS OFFERED THESE MUNICIPALITIES AND WATER ASSOCIATIONS THE OPPORTUNITY TO BUY BACK THEIR RESPECTIVE FMHA LOANS AT A DISCOUNT AND IN THE EVENT SUCH MUNICIPALITIES DID NOT BUY BACK THEIR LOANS, SUCH LOANS WERE SUBJECT TO SALE AT A DISCOUNT TO THE PRIVATE CREDIT MARKET.

WHEN A RURAL COMMUNITY BUYS BACKS ITS FMHA LOAN WITH THIS DISCOUNT, IT CAN REALIZE A SUBSTANTIAL SAVINGS IN THE CAPITAL COST OF ITS WATER AND SEWER UTILITY SYSTEM.

THE AMOUNT OF PROCEEDS TO BE RECEIVED BY THE GOVERNMENT FROM THE SALE OF FMHA COMMUNITY FACILITIES LOANS IS NOT REDUCED BY THE SALE OF SUCH LOANS TO MUNICIPALITIES AS OPPOSED TO BEING SOLD TO THE PRIVATE CREDIT MARKET.

I UNDERSTAND THAT THE PRIVATE SALE MAY BE SCHEDULED IN THE FUTURE TO THE COMMERCIAL BANKS. WE DESPERATELY NEED TO CONTINUE THIS SAME OPPORTUNITY FOR THE MISSISSIPPI COMMUNITIES TO PARTICIPATE IN FUTURE SUCH TRANSACTIONS NEXT YEAR. CURRENTLY, THERE IS $82 MILLION IN OUTSTANDING FMHA COMMUNITY FACILITIES LOANS (WATER & SEWER) IN MISSISSIPPI. LOAN PREPAYMENT DISCOUNTS ARE EXPECTED TO VARY BETWEEN 25% TO 40%, MAKING THE OPTIONS ATTRACTIVE TO MANY SMALLER CITIES.

THEREFORE, I STRONGLY URGE YOU ON BEHALF OF THE RURAL COMMUNITIES OF THE STATE OF MISSISSIPPI, TO REQUIRE THE FMHA TO AFFORD MISSISSIPPI MUNICIPALITIES AN OPPORTUNITY TO BUY BACK THEIR RESPECTIVE FMHA WATER

AND SEWER LOANS PRIOR TO FHMA'S SALE OF ITS COMMUNITY FACILITIES LOANS TO THE PRIVATE CREDIT MARKETS.

TAX EXEMPT BONDS

THE U.S. HOUSE OF REPRESENTATIVES IS CONSIDERING H.CON.RES. 39, WHICH EXPRESSES THE SENSE OF CONGRESS AGAINST THE TAXATION OF STATE AND LOCAL GOVERNMENT BONDS

MUNICIPAL BONDS FUND MANY IMPORTANT PROJECTS IN MISSISSIPPI, SUCH AS SCHOOLS, BRIDGES, PRISONS, AND WATER TREATMENT PLANTS. THESE FACILITIES ARE IMPORTANT TO MAINTAINING AND IMPROVING THE QUALITY OF LIFE FOR ALL CITIZENS. STATE AND LOCAL GOVERNMENTS USE THE PROCEEDS FROM BOND SALES TO FINANCE AND CARRY-OUT THESE PROJECTS.

CURRENTLY, THE INTEREST ON MOST MUNICIPAL BONDS IS TAX EXEMPT, PROVIDING A STRONG INCENTIVE FOR CITIZENS TO INVEST IN THEIR COMMUNITIES. LAST YEAR, THE SUPREME COURT RULED IN SOUTH CAROLINA V. BAKER THAT THE CONSTITUTION DOES NOT PREVENT THE FEDERAL GOVERNMENT FROM TAXING THIS INTEREST EVEN THOUGH THE BONDS ARE INTENDED FOR LOCAL PUBLIC PURPOSE PROJECTS. IF, IN THE FUTURE, CONGRESS DECIDES TO TAX THIS INTEREST, A VITAL SOURCE OF REVENUE TO OUR STATE AND LOCAL GOVERNMENTS WILL BE ELIMINATED.

WITHOUT THE CURRENT FEDERAL TAX EXEMPTION FOR LOCAL AND STATE BONDS, THE TAXPAYERS OF MISSISSIPPI WOULD HAVE AN ADDITIONAL $1 BILLION TAX BILL. NATIONALLY, THE TAX BILL WOULD BE $30 BILLION.

TAX EXEMPT BONDS FINANCE A WIDE VARIETY OF GOVERNMENTAL SERVICES BY LOCAL RURAL COMMUNITIES.

BECAUSE THE INCOME DERIVED FROM HOLDING LOCAL AND STATE BONDS IS EXEMPT FROM FEDERAL INCOME TAXES, THESE BONDS CAN BE SOLD AT LOWER INTEREST RATES THAN SIMILAR BONDS SOLD BY BUSINESSES AND CORPORATIONS.

THIS LOWER INTEREST RATE ALLOWS STATE AND LOCAL GOVERNMENTS TO FINANCE PUBLIC PROJECTS AT A MUCH REDUCED COST TO LOCAL PROPERTY TAX PAYERS.

CLEARLY, WITH THE FEDERAL GOVERNMENT ATTEMPTING TO FIND ADDITIONAL REVENUE TO REDUCE MASSIVE DEFICITS, WE NEED TO PROTECT THIS VITAL SOURCE OF FUNDS FOR BUILDING SCHOOLS, HIGHWAYS, WATER PROJECTS AND JAILS IN MISSISSIPPI.

OUR STATE AND LOCAL OFFICIALS WILL AGREE THAT REMOVING THE TAX EXEMPT STATUS OF STATE AND LOCAL BONDS WILL GREATLY IMPAIR, IF NOT HALT, THEIR ABILITY TO RAISE CAPITAL FOR PUBLIC PURPOSE PROJECTS.

SPECIAL STATE PROGRAMS TO ASSIST RURAL DEVELOPMENT

THE STATE OF MISSISSIPPI IN RECOGNIZING THE IMPORTANCE OF GROWTH FOR OUR RURAL AND NON URBAN AREAS HAS ESTABLISHED SEVERAL SPECIAL PROGRAMS FOR ASSISTANCE:

(1) MISSISSIPPI DEVELOPMENT BANK

PURPOSE

THE MISSISSIPPI DEVELOPMENT BANK WAS CREATED BY THE MISSISSIPPI LEGISLATURE IN 1986 AS AN INDEPENDENT ORGANIZATION WITH THE POWER TO "BORROW MONEY AND ISSUE ITS BONDS AND NOTES TO MAKE FUNDS AVAILABLE (TO MUNICIPALITIES AND COUNTIES) AT REDUCED RATES AND ON MORE FAVORABLE TERMS". THE LEGISLATURE STATED THAT IT IS THE DEVELOPMENT BANK'S PURPOSE "TO FINANCE INFRASTRUCTURE IMPROVEMENTS AND OTHER PUBLIC PURPOSES FROM THE PROCEEDS OF BONDS AND TO THE EXTENT POSSIBLE REDUCE COST OF INDEBTEDNESS TO TAXPAYERS AND RESIDENTS OF THE STATE THROUGH THE ENCOURAGEMENT OF INVESTOR INTEREST IN THE PURCHASE OF SUCH BONDS".

PROGRAM DESCRIPTION

TO IMPLEMENT ITS MANDATE, THE DEVELOPMENT BANK WILL ISSUE ITS DEBT AND USE THE PROCEEDS TO PURCHASE THE BOND ISSUES OF MISSISSIPPI'S MUNICIPALITIES AND COUNTIES. CITIES CAN ISSUE UTILITY REVENUE BONDS OR GENERAL OBLIGATION BONDS. THE DEVELOPMENT BANK'S BOND ISSUES WILL BE RATED BY BOTH MOODY'S INVESTORS SERVICE AND STANDARD & POOR'S CORPORATION, PROVIDING THE BONDS WITH ACCESS TO THE NATIONAL CAPITAL MARKETS AT THE LOWEST POSSIBLE INTEREST RATES.

DEVELOPMENT BANK BOARD MEMBERS

PAUL FRANKE - CHAIRPERSON, GULFPORT

LAVERNE BROCK, JACKSON

ALBERT CLARK, STARKVILLE

PETE ELLIOTT, RIPLEY

JON LEVINGSTON, CLARKSDALE

MARSHALL BENNETT - STATE TREASURER (EX OFFICIO), JACKSON

SECURITY

- PARITY OR SECONDARY LIEN ON CITY'S WATER AND SEWER SYSTEM REVENUES.
- LIEN ON CITY SALES TAX PAYMENTS FROM THE STATE TAX COMMISSION.
- DIVERSION AGREEMENT-IF A CITY FAILS TO MAKE DEBT SERVICE PAYMENT ON BONDS, SALES TAX PAYMENTS ARE WITHHELD TO MAKE PAYMENTS.

BOND RATING

- A (MOODY'S INVESTOR SERVICE OR STANDARD & POOR'S CORPORATION)

WHERE, INDIVIDUALLY, EACH CITY COULD MOST LIKELY NOT GET BONDS RATED, THE BANK'S SECURITY STRUCTURE ALLOWS THE BONDS TO RECEIVE A BOND RATING WHICH WILL RESULT IN A LOWER INTEREST RATE.

IF YOU HAVE ANY QUESTIONS OR REQUIRE ADDITIONAL INFORMATION, PLEASE CONTACT THE BANK'S FINANCIAL ADVISOR, STEVE HOLLEY, AT (601) 355-8243; OR THE OFFICE OF THE STATE TREASURER, MARSHALL BENNETT, AT (601) 359-3600.

(2) MISSISSIPPI FARM REFORM ACT - EMERGING CROP LOANS

THE MISSISSIPPI FARM REFORM ACT (MFRA) WAS ESTABLISHED TO AID FARMERS WITH THE PRODUCTION OF EMERGING CROPS ON LAND IN MISSISSIPPI. TOWARD

THIS END, THE MISSISSIPPI DEPARTMENT OF ECONOMIC DEVELOPMENT IS AUTHORIZED TO EXPEND UP TO $10 MILLION FOR THE PAYMENT OF INTEREST ON APPROVED LOANS.

TO BE ELIGIBLE FOR ASSISTANCE UNDER THE MISSISSIPPI FARM REFORM ACT THE BORROWER MUST BE A RESIDENT OF MISSISSIPPI WANTING TO ENGAGE IN THE COMMERCIAL PRODUCTION OF AN EMERGING CROP ON LAND IN MISSISSIPPI. BORROWERS MAY INCLUDE INDIVIDUALS, PARTNERSHIPS, CORPORATIONS AND COOPERATIVE.

AN EMERGING CROP IS DEFINED AS ANY PLANT OR ANIMAL CROP FOR WHICH CONSUMERS HAVE A GROWING DEMAND. CROPS SHALL INCLUDE, BUT NOT BE LIMITED TO, BLUEBERRIES, MUSCADINES, CHRISTMAS TREES, AQUACULTURE, HORTICULTURE, AND OTHERS DESIGNATED BY THE DEPARTMENT OF ECONOMIC DEVELOPMENT MEETING THE FOLLOWING CRITERIA:

PRODUCTION SHIFT FROM AN ENTERPRISE WITH LOW PROFITS TO A HIGHER PROFIT ENTERPRISE

MUST BE PRODUCED UNDER RECOMMENDED AGRICULTURAL PRACTICES FOR MISSISSIPPI CONDITIONS

ENTERPRISE MUST EXHIBIT PROFITABLE AND FEASIBLE COMMERCIAL PRODUCTION THROUGH RESEARCH OR ON-FARM DEMONSTRATION UNDER MISSISSIPPI CONDITIONS

MARKET ACCESS MUST BE DEMONSTRATED TO THE EXTEND THAT SUFFICIENT DEMAND EXISTS TO SUPPORT A PROFITABLE AND FEASIBLE COMMERCIAL ENTERPRISE.

FRESHWATER SHRIMP, REDFISH, CRAWFISH OR HYDROPONICS SHALL ALSO BE CONSIDERED "EMERGING CROPS" FOR PURPOSES OF THIS PROGRAMS.

ELIGIBLE LENDERS ARE COMMERCIALS BANKS, SAVINGS BANKS, SAVINGS AND LOAN ASSOCIATIONS, THE FEDERAL LAND BANK, FARM CREDIT BANK, THE PRODUCTIONS CREDIT ASSOCIATION OR ANY OTHER FARM CREDIT AGENCY WHICH IS DOMICILED OR QUALIFIED TO DO BUSINESS IN MISSISSIPPI INCLUDING THE FARMERS HOME ADMINISTRATION. A QUALIFIED LENDER SHALL PROVIDE, AMONG OTHER THINS, DOCUMENTATION OF A MARKETING PROGRAMS FOR THE PRODUCER.

ANY LOAN EXTENDED WILL BE AN INTEREST LOAN TO PAY THE INTEREST COSTS ON A LOAN MADE BY A LENDER TO A FARMER TO FINANCE THE NONLAND CAPITAL COSTS OF ESTABLISHING PRODUCTION OF AN EMERGING CROP.

THE MAXIMUM AMOUNT OF INTEREST LOAN FROM THE FUND FOR THE BENEFIT OF ANY ONE APPLICANT IS $50,000. THE MAXIMUM RATE OF INTEREST WHICH MAY BE CHARGED ON THE LOAN DURING THE PERIOD THAT THE DEPARTMENT PAYS THE INTEREST WILL BE 4 PERCENT PER ANNUM ABOVE THE NEW YORK PRIME RATE.

(3) MISSISSIPPI SMALL ENTERPRISE DEVELOPMENT FINANCE ACT

THE MISSISSIPPI SMALL ENTERPRISE DEVELOPMENT FINANCE ACT ENABLES THE CERTIFIED DEVELOPMENT COMPANY OF MISSISSIPPI (CDCM) TO MAKE LOANS TO QUALIFIED PRIVATE COMPANIES WHICH WILL INCREASE EMPLOYMENT AND INVESTMENT IN SMALL COMMUNITIES. THIS ACT AUTHORIZES THE STATE TO ISSUE GENERAL OBLIGATION BONDS OR NOTES IN THE AMOUNT OF $20 MILLION TO CARRY OUT THE PROGRAM.

ELIGIBLE BUSINESSES INCLUDE AGRICULTURAL, AQUACULTURAL, HORTICULTURAL, INDUSTRIAL, MANUFACTURING OR RESEARCH AND DEVELOPMENT ENTERPRISES.

LOAN PROCEEDS MAY BE USED FOR FIXED ASSET FINANCING, INCLUDING LAND, BUILDINGS AND LOAN-LIVED MACHINES AND EQUIPMENT.

LOANS MADE UNDER THE PROVISIONS OF THIS ACT SHALL NOT EXCEED $1 MILLION IN PRINCIPAL.

THE MAXIMUM LOAN TERM IS 20 YEARS.

INTEREST RATES ON SUCH LOANS CAN NOT BE LESS THAN NET INTEREST RATE ON THE BONDS OR NOTES ISSUED BY THE STATE TO FINANCE THIS PROGRAM PLUS SERVICING FEES.

ALL LOAN APPLICATIONS MUST IDENTIFY A QUALIFIED FINANCIAL INSTITUTION, APPROVED BY THE CDCM, WHICH WILL ISSUE A LETTER OF CREDIT GUARANTEEING THE LOAN.

THE MISSISSIPPI SMALL ENTERPRISE DEVELOPMENT FINANCE ACT PROVIDES FINANCING WHICH MAY NOT OTHERWISE BE AVAILABLE FOR SMALL PROJECTS IN SMALL COMMUNITIES.

THIS PROGRAMS GIVES ALL BANKS IN MISSISSIPPI MEETING CDCM CRITERIA AN OPPORTUNITY TO ISSUE LETTERS OF CREDIT TO SUPPORT LOCAL ECONOMIC DEVELOPMENT EFFORT.

CONCLUSION

MR. CHAIRMAN, MISSISSIPPI IS GENERALLY ON THE MOVE. WE HAVE POCKETS OF PROSPERITY AND AT THE SAME TIME AREAS OF DEPRESSION. HOWEVER OUR PER CAPITA INCOME IS UP. OUR ECONOMIC GROWTH RATE HAS BEEN CONTINUALLY IMPROVING. WE HAVE SUSTAINED A 2.3% GROWTH RATE FOR 4 YEARS IN A ROW. THE GREATEST NATURAL RESOURCES OF OUR STATE, THE WATER TRANSPORTATION, AGRICULTURE AND AGRIBUSINESS ARE WONDERFUL ASSETS. BUT MISSISSIPPI'S MOST VALUABLE COMMODITY IS HER PEOPLE AND THEIR WILLINGNESS TO WORK AND ACHIEVE A BETTER FUTURE FOR OURSELVES AND OUR CHILDREN.

HELP US OBTAIN THE OPPORTUNITIES WE DREAM OF AND ARE WILLING TO PUT OUR MINDS AND BODIES TO WORK FOR. WITH THE GREATEST NATION IN THE WORLD GIVING ITS ATTENTION TO THE PROBLEMS AND SOLUTIONS OF RURAL DEVELOPMENT THROUGH THIS CONGRESSIONAL COMMITTEE AND THE EFFORTS OF CONGRESS, WE CAN AND WILL PROVIDE A BRIGHTER FUTURE FOR SOME OF MISSISSIPPI'S AND AMERICA'S BEST. THE FOLKS WHO LIVE AND WORK RIGHT HERE IN THE MISSISSIPPI DELTA.

STATE OF ALABAMA
GOVERNOR'S OFFICE
MONTGOMERY 36130

GUY HUNT
GOVERNOR

August 4, 1989

The Honorable Glenn English
Chairman of the House Agriculture
Subcommittee on Conservation,
Credit, and Rural Development
2206 Rayburn House Office Building
Washington, D. C. 20515-3606

Dear Chairman English:

I appreciate your allowing Dr. Don C. Hines, Chief of the Planning and Economic Development Division, in the Alabama Department of Economic and Community Affairs, to appear before your committee and provide comments concerning our perspective on rural development. Our rural development program has been in operation for about two years and has targeted eight counties. This initiative involves cooperative relationships between some forty state and federal agencies and resulted in the direct creation of 600 jobs. The objective of our program has been to focus existing agency activities on distressed counties to improve business retention and to address overall quality of life problems. We believe that the federal response to this issue should be a similar approach, i.e., to target and link existing programs.

A formal statement of Alabama's position on this matter is attached. I would appreciate your making this a part of the committee's proceedings.

Sincerely,

Guy Hunt
Governor

GH:vr

Attachment

STATE OF ALABAMA POSITION STATEMENT

RURAL DEVELOPMENT

The Rural Development Problem

The rural development problem can be characterized as a problem of declining rural population and economic base. The resulting effect of the problem is an inadequate support system to provide a standard of living and quality of life necessary for meaningful existence. It is expected that rural populations will continue to decline as a result of migration to urban areas for employment and social amenities.

Characteristics of the Rural Problem

Counties and small cities in rural areas suffer from chronically inadequate tax bases and declining quality of infrastructure necessary to maintain and develop economic activity. Rural areas have not found adequate revenue sources to replace revenue sharing and are, therefore, forced to allow a further deterioration in essential support services. In Alabama, for instance, it is estimated that some 70 percent of rural bridges and 55 percent of rural roads do not meet minimum standards; 60 small cities do not meet wastewater treatment standards. Rural school systems face budget shortfalls resulting from declining enrollments and funding systems that do not reflect higher costs per pupil for small systems. Inadequate teacher salaries, insufficient support services, and cultural disparities continue to result in low educational attainment.

As a result of the declining economic base of rural areas, small business failure is proportionately higher, there is inadequate investment capital to support viable business growth, and there is a general lack of technical business support services. The rural manufacturing base can be characterized as generally low-wage, low-skill industry which relies heavily on a local raw material base. These industries are generally basic raw material processors with low value added processes or highly competitive low-wage manufacturers, such as garments and furniture. With fluctuations in the national and state economies, these industries generally experience downturns sooner, stay down longer, and recover slower than the industrial base as a whole.

The agricultural sector has realized some improvements, but available credit remains a problem in certain aspects of the industry. The decline in the agricultural work force continues as more efficient production methods are adopted.

Priorities for Rural Development

Comprehensive planning activities should be undertaken at the city and county levels to define long-range development goals and to establish priority-spending activities. Realistic assessments of actual growth potential should determine geographic targeting of plans and programs. Following from these planning activities, state and federal programs should be designed to provide support for redeveloping and maintaining rural economic development and social support infrastructure. These programs should leverage existing fiscal resources of the state and federal governments and lead to self-sufficiency.

Due to the geographic dispersion of populations and economic activity, programs should be directed toward multi-county regions as defined by existing economic and social patterns, transportation systems, and natural resource bases. States and the federal government should develop and support regional development boards and authorities that lead to cooperative and cohesive decision-making structures with broad regional perspectives.

Any programs designed to deal with the problems of rural areas must concentrate on maintaining the existing industrial base to ensure continued employment of rural residents. In order to maintain a competitive position, significant efforts must be made to upgrade technology in rural manufacturing through special programs to attract investment capital. The rural work force must be trained to work in more technologically-advanced plants and efforts by the states must be concentrated on developing existing industries and locating new industries that are consistent with the available resource base.

Recommendations for a Federal Rural Development Program

1. Programs designed to deal with the problems of rural America must combine the resources of all levels of government, recognizing the respective purview of all agencies, and leverage existing resources. The states need to be placed in a coordination role to ensure program delivery to the general public. This role will demand feasibility for program delivery, i.e., CDBG programs.

2. A National Transportation strategy should be developed and implemented to reflect the needs for rural-urban access corridors and linkages to regional and national markets.

3. Specific comprehensive planning activities should be required to ensure that limited resources can be used most effectively.

4. Rural development incentives should be designed in such a way as to leverage existing state, federal, and local programs. With the states in a coordination role, they can redirect funds to assist those poorer local governments that cannot generate local matching monies.

5. Emphasis should be placed upon maintaining and increasing the existing industrial base through special programs to attract the necessary capital for expansions and technological innovation.

6. Existing programs, such as the Job Training Partnership Act, should be linked to new programs and directed toward providing a work force consistent with the needs of rural areas.

7. To further enhance and encourage development in rural areas, the job creation constraints of the CDBG economic development program should be redefined to allow development of infrastructure in broader contexts which lead to a long-term development pattern, along with the ability to react to specific plant locations in order to provide more incentives in rural communities.

8. In order to ensure coordination, coordinating councils should be established within rural areas which include representatives from all federal programs and their state and local counterparts. Rural development coordinators could work from established multi-county agencies (substate planning districts) rather than establishing new delivery mechanisms.

9. Special care should be taken in relation to activities designed to develop small business activity to ensure that an economic base is present to support long-term operations.

10. Rural development should require linkages with the Cooperative Extension Service and existing technical support programs such as the SBA small business development centers, the EDA economic development centers, and regional universities.

11. Existing federal agencies such as the Farmers Home Administration, Department of Housing and Urban Development, Economic Development Administration, Rural Electric Cooperatives, the Appalachian Regional Commission, the Lower Mississippi Delta Commission, and the National Park Service should develop and target cooperative and coordinated programs to rural infrastructure development. These programs should include linkages to existing state efforts and encourage higher degrees of local intergovernmental cooperation.

DRPC

Delta Regional Procurement Center, Inc.
Washington County Court House

P. L. Thomas
Director

P. O. Box 1179
GREENVILLE, MS 38702

Phone
(601) 334-2634

August 4, 1989

Congress of the United States
House of Representatives
Agricultural Subcommittee on Conservation, Credit and Rural Development
216 Cannon House Office Building
Washington, DC 20515

REFERENCE: Hearing on Rural Economic Development, Clarksdale, Mississippi, 7 August 1989

Gentlemen:

I appreciate the opportunity to present my observations and opinions regarding rural economic development, especially in the Mississippi Delta. My statements will be based upon my experiences as a Procurement Specialist with the U. S. Army, Corps of Engineers for many years and upon knowledge and experience gained since my retirement from the Corps, while working with the people in the Mississippi Delta. My responsibility at this time is assisting Delta businesses in developing new markets through Government Contracts.

The rural areas of Mississippi are very special. We have great people who have a desire to be productive, who are willing to put forth almost any effort to improve themselves. The area in which we live is beautiful, with some of the best areas for raising a family that can be found anywhere. We have excellent natural resources with a good climate, some of the richest soil in the world, good transportation, and an abundance of water. However, the most important thing we have is our people. I have attended many meetings in the small towns and rural areas of Mississippi and have found without exception a tremendous desire to accomplish something good, to make a better place for their families, to be able to educate their children, and to cut down on crime and drugs. They are always trying to make a better community. The underlying deterrent to the above is economics.

Many factors are involved in improving the economy of our rural communities. Education must be one of the first priorities followed by decent employment. It is my opinion that if we can improve upon the above two areas we will see a vast improvement in other areas.

We have the potential to make significant progress, and within my area of responsibility I find that we need to improve upon what we already have. I am referring to our small, and large, business firms and to those

individuals who wish to start a business. From my perspective there are several areas in which we need to put forth greater effort to assist our business firms in becoming more proficient in marketing their products and service and in contracting with the various government agencies.

First, we need to train our people to produce the very best product possible at the very best price. To be able to compete for contracts on a national or state level we must become proficient at producing a quality product, with prompt delivery at a fair price. To accomplish this our personnel must be able to interpret and implement written job requirements and specifications and be able to manage a contract once it has been awarded.

Second, firms need instructions on what it will take to make their facilities capable of producing a product that will be acceptable to the government. I propose that the Department of Defense, or Army, Navy, Air Force, establish a policy to assist small manufacturing concerns in developing their facilities to manufacture parts and components for the military. This could have widespread impact in the event of a national emergency, in addition to aiding the local economy.

Third, I propose that government owned or controlled equipment and or material be made available for small and developing firms that may be involved in defense contracting. This could be done through the surplus property program now in effect.

Fourth, there is a need for greater participation by our small firms in the sub-contracting area. We have many craftsmen and small fabricating firms that can turn out an excellent job when given the opportunity.

Fifth, I recommend the continuing and expanding effort of the Small and Small Disadvantaged Business Advisors assigned to each government agency. These personnel can be of great service in developing small business firms. I especially recommend small business set-aside program and the labor surplus set-asides. It is my opinion that the various government agencies should put greater emphasis on labor surplus areas and small business set-asides when contracting.

Sixth, and last, I cannot too strongly recommend that the Federal Government continue to support our minority business programs. The Small Business Administration does an excellent job of promoting this effort along with small business advisors in the various agencies.

I respectfully submit the above for your consideration. No effort is made to suggest procedures, but to present ideas and recommendations. With the help of Congressman Espy and this Committee, the rural areas of the State of Mississippi will continue to progress.

The Delta Regional Procurement Center pledges its support.

Sincerely,

P. L. THOMAS

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT
WILBUR F. HAWKINS, EXECUTIVE DIRECTOR
LOWER MISSISSIPPI DELTA DEVELOPMENT COMMISSION
AUGUST 7, 1989

CHAIRMAN ENGLISH, CONGRESSMAN MIKE ESPY AND OTHER DISTINGUISHED MEMBERS OF CONGRESS, I AM WILBUR HAWKINS, EXECUTIVE DIRECTOR OF THE LOWER MISSISSIPPI DELTA DEVELOPMENT COMMISSION. FIRST, I WOULD LIKE TO THANK EACH OF YOU FOR TAKING THE TIME TO COME TO THE REGION TO HEAR FIRST HAND OF THE CONDITIONS AND TREMENDOUS POTENTIAL THAT THIS REGION HAS.

AS YOU ARE AWARE, THE LOWER MISSISSIPPI DELTA DEVELOPMENT COMMISSION COVERS SEVEN STATES FROM ILLINOIS TO LOUISIANA, SOME 214 COUNTIES AND PARISHES, ALONG THE MISSISSIPPI RIVER. WHILE THIS IS THE MOST ECONOMICALLY IMBALANCED REGION IN THE NATION, IT HAS BEEN ABLE TO CAPTURE AND MAINTAIN A STRONG WORK ETHIC, PRIDE AND HERITAGE THE WORLD COULD BENEFIT FROM.

TODAY, YOU WILL HEAR STRONG EXAMPLES OF INITIATIVES INVOLVING:

- PUBLIC/PRIVATE PARTNERSHIPS;
- CREATIVE USES OF FEDERAL REVENUES;
- STATE AND LOCAL INITIATIVES; AND,
- PROJECTS AND DEMONSTRATIONS WHICH SERVE AS MODELS ON HOW INDIVIDUAL CITIZENS ARE CONCERNED AND INVOLVED IN IMPROVING THE ECONOMIC CONDITIONS OF THE DELTA.

THE LOWER MISSISSIPPI DELTA DEVELOPMENT COMMISSION IS RAPIDLY MOVING TO IDENTIFY AND EVALUATE SELF-HELP MODELS WHICH HAVE ACHIEVED SUCCESS AND COULD BE REPLICATED WITHIN THE REGION AND IN OTHER PARTS OF THE COUNTRY AS WELL.
WE ARE ALSO WORKING TO IDENTIFY NON-GOVERNMENTAL RESOURCES AVAILABLE TO ADDRESS ECONOMIC DEVELOPMENT. WE ALL WANT TO MAKE THIS REGION AN AREA WHERE OUR YOUTH CAN BE CHALLENGED TO LEARN, AND REWARDED WITH QUALITY EDUCATION AND A MEANINGFUL AND PRODUCTIVE PLACE IN THE AMERICAN MAINSTREAM. WE HAVE SET AS ONE OF OUR GOALS TO MAKE THE DELTA A REGION WHERE OUR YOUTH NEED NOT LEAVE HOME IN SEARCH OF JOBS.

WE WILL CERTAINLY NEED ADDITIONAL RESOURCES BUT, MORE IMPORTANTLY, WE ARE GOING TO DEMONSTRATE, WHAT WE CAN DO AND HAVE DONE FOR OURSELVES, FIRST.

WE ARE EXPLORING THE FEASIBILITY OF A "MADE IN THE DELTA" SYMBOL TO PROMOTE THE PRODUCTS OF OUR REGION AND TO INSTILL GREATER CONFIDENCE ON THE PART OF THE REST OF THE COUNTRY WITH RESPECT TO OUR CAPABILITIES. WE PRODUCE EVERYTHING FROM CATFISH TO SANYO TELEVISIONS, RIGHT HERE IN THE DELTA.

COUPLED WITH THIS WE WILL BE CONDUCTING MARKET VOID STUDIES TO HELP US DEVELOP NEW AND EXPAND UPON EXISTING CAPACITIES. THIS PRESENTS EVEN GREATER OPPORTUNITIES WHEN WE CONSIDER VALUE ADDED PROCESSING FOR AGRICULTURAL PRODUCTS.

ADDITIONALLY, WE ARE RESEARCHING THE ESTABLISHMENT OF A REGIONAL CROSS-MATCH AMONG MANUFACTURERS AND SUPPLIERS. THE MOTIVATION BEHIND THIS IS TO DEVELOP A GREATER TURN-OVER OF THE REGIONS DOLLARS AND TO DEVELOP A COMPETITIVE CAPACITY FOR GOVERNMENT PROCUREMENT CONTRACTS. AS HAS BEEN STATED ON PREVIOUS OCCASIONS, MORE FEDERAL PROCUREMENT GOES TO PUERTO RICO THAN TO THE LOWER MISSISSIPPI DELTA REGION.

IN CONCLUSION, MR.CHAIRMAN, WE ARE STRIVING LIKE NEVER BEFORE TO DEVELOP A REGIONAL ECONOMIC DEVELOPMENT STRATEGY WHICH WILL HELP THIS REGION GAIN A COMPETITIVE POSITION IN THE GLOBAL, NATIONAL AND REGIONAL ECONOMIES. WE WILL HAVE SOME SPECIFIC RECOMMENDATIONS FOR CONGRESSIONAL CONSIDERATION IN TIME FOR THE 1990 FARM BILL.

AGAIN, THANK YOU FOR TAKING THE OPPORTUNITY TO VISIT AN AREA THAT WANTS A HELPING HAND UP, NOT A HAND OUT AS WE AGGRESSIVELY WORK TO BECOME A FULL PARTNER IN THE ECONOMIC MAINSTREAM.

William W. Sutton, President
Mississippi Valley State University

Rural Economic Development
Focus on the Mississippi Delta
August 7, 1989

I consider it a special privilege and opportunity to make this presentation to the House of Representatives Agricultural Subcommittee on Conversation, Credit and Rural Development. On behalf of the faculty, staff and students of Mississippi Valley State University and our constituents, I express deepest appreciation for this opportunity.

The topic of Rural Economic Development is most germane to the Mississippi Delta region and to Mississippi Valley State University as an institution of higher learning in the region. The goals, needs, and problems of the region have a strong degree of coincidence with the goals, needs, and problems of higher education in the region. Since I head an educational institution and consider education to be a critical factor in rural economic development, I will focus a great part of my testimony along those lines.

To approach the current concerns for rural economic development, some historical perspective is necessary. The Mississippi Delta, like most of rural America, has experienced a tremendous amount of out-migration over the last 60 to 70 years. In the Delta region, this out-migration has been heavily along racial lines with blacks being a significant majority of those who left. The overwhelming factor for this out-migration was and still remains the need for better economic opportunity. In this pattern of out-migration, Mississippi and the Delta region lost some of its best human resources.

In view of the out-migration patterns indicated above, it is interesting to note the impact of higher education for blacks on those patterns. In the 1950's, '60's and '70's, Mississippi Valley State University served primarily as a teacher education institution and was very successful in providing a supply of well-trained teachers for the Delta region. These teachers being college graduates and on the top level of their economic and social community remained in the Delta area and did not, in any significant numbers, join the out-migration trail that thousands of other lesser trained and occupationally prepared blacks took. The overriding factor between these teachers and their fellow contemporaries is that the occupational and economic opportunity of the teaching profession gave them a reason to stay and thereby contribute to the educational and economic development of the region.

The point to be made from the illustration concerning the teachers and pattern of out-migration is that where there is a commonality of advanced employment opportunity and prepared individuals to take advantage of that opportunity, there can be positive and significant growth in the region. Therefore, the point is further made that education -- from elementary to the college level -- must remain a vital part of any activity toward rural economic development. There must be a coming together of resources in education and economic opportunity to maintain a viable state of rural ecomomic development. In the Delta region, a basic educational framework is in place but it needs a significant amount of additional resources to reach a level of productivity that is needed and desired. Economic opportunity is almost at the beginning stage and needs a great amount of development.

I regret to say that the thousands of college trained professionals who resisted the trends of out-migration during the decades of

the '50's, '60's and '70's have now in the '80's joined the throng of those leaving the rural areas for search of a better life. The difference with the trained professionals of the '80's is that while their counterparts of the three earlier decades sought the metropolitan areas of the East and Midwest almost exclusively, the professionals of the '80's have also set their sights on the growing urban centers of the South. So now in addition to the lure of Chicago, Detroit, and New York, is also the lure of Atlanta, Dallas, Nashville and yes, Jackson, Mississippi. So now the rural South is being drained not only of its skilled and functionally educated workers but is also losing its most highly educated professionals. Therefore, for the rural South, the economic opportunity side of the dual effort must be boosted significantly while the education side of the effort must be upgraded and kept on a steady pace of improvement.

The educational effort in rural economic development must focus on some particular goals which include but are not limited to the following

1. Improving the literacy rate among rural populations
2. Basic education preparation as a foundation for life-long learning
3. Providing technical skills training for a modern technology work force
4. Providing higher education opportunities for the career preparation of a professional work force
5. Providing public service to the community in terms of technical assistance, access to physical, cultural and recreational resources.

The achieving of these goals by the educational agencies of a community makes the rural area more attractive to those elements of the public and private sectors which need to be attracted to a community for economic development to take place. To focus on the higher education level, the Mississippi Delta has four higher educational institutions, two community colleges and two

regional state universities, which are impacting the economic development of the Delta region but have a tremendous potential for a greater impact.

As an illustration of the higher education impact, Mississippi Valley State University serves as an educational, cultural and recreational center for thousands of citizens in the Delta. It directly impacts the economic development of the area through the redistribution of its income and that of its constituent population. This economic impact has been calculated by the Greenwood Leflore Chamber of Commerce to be in the amount of $25,000,000. Through its Center for Economic Development Program, Continuing Education Programs and employment agreements with agencies in the community, the University contributes directly to the training, educational, and employment needs of individuals who in turn become contributors to the economic development of the community. With these positive aspects of the University's ability to contribute to the economic development of the community, some needs and concerns must be cited.

Higher education in Mississippi in general and Mississippi Valley State University in particular has undergone some difficult experiences over the past several years in attempting to maintain the level of service that is necessary to contribute to the economic upgrade of the community. The fiscal years of 1986-87 and 1987-88 saw a tremendous drop in state funds for institutions of higher learning. For Mississippi Valley State University this drop was an average amount of nearly 2 million dollars or nearly a third of its state funding. While state funding for the 1988-89 fiscal year was better in that it brought the institution almost back to the level of funding it received before the decrease of the

previous two years, the burdens of the two-years of decreased funding still weights heavily on the University.

The impact of restricted funding for a higher education institution is felt directly in its ability to recruit and maintain a highly credentialized faculty, provide the resource material for its instructional program and maintain a functionally efficient physical plant. Any critical dropoff of funding in any of these areas can affect negatively the ability of the institution to deliver essential services and can in fact threaten the existence of the institution.

In that higher education is the vehicle of upward mobility for thousands of young people in the Delta area, it is important that these institutions be kept secure, viable and progressive. Failure to do so would restrict higher education opportunity and cause a relative regression of economic progress. In addition to the needs of the institutions themselves, there are certain needs of students who attend these institutions that must be considered. Among these needs are

1. Adequate financial aid resources for students with limited economic ability
2. Family and community support units such as schools, churches, employment and public assistance agencies who can contribute to the student's well being in preparation for college
3. Gainful employment opportunities in the rural community at the end of college preparation.

More specific to the students needs listed above are particular needs and concerns of minority youth, who comprise the major part of Mississippi Valley State University's students population.

Among these needs and concerns are

1. Major under-representation of black males in the college population (over the past five years, Mississippi Valley State University has maintained a consistent 60% to 40% ratio of females to males in its student population.)
2. Personal and child-care needs of single mothers in the college populations
3. High rate of unemployment for black youth

Positive action in these problem areas will result in a progressive chain of events that will foster higher education involvement, retention of area population and ultimately economic development for the region.

Now is the time for the Delta region to make a bold venture toward the future. It must build upon its basic resources and look for new ones to advance in the area of economic development. Higher Education plays a vital role in this process. Mississippi Valley State plays a critical role in the process because it targets a segment of the population which stands in the most dire need of economic advancement. The raising of the economic level of this segment of the population will lead to a better economic condition of the entire region.

I call upon this Committee and the entire Congress to be sensitive to the needs of this region which has long suffered for economic advancement. The overcoming of the problems of the region requires bold and aggressive action that is beyond its own resources. We need your help.

We stand ready to provide whatever material and human resources we have available toward the effort of fostering economic advancement in the Delta region. Thank you again for the opportunity to make this presentation.

STATEMENT OF JERRY MAULDEN
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF
MISSISSIPPI POWER & LIGHT COMPANY AND
ARKANSAS POWER & LIGHT COMPANY

TESTIMONY BEFORE THE HOUSE AGRICULTURE COMMITTEE'S
SUB-COMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
AUGUST 7, 1989
CLARKSDALE, MISSISSIPPI

Mr. Chairman and members of the Sub-Committee, my name is Jerry Maulden. I am chairman of the boards and chief executive officer of Mississippi Power & Light Company and Arkansas Power & Light Company, and a Senior Vice President and System Executive with Entergy Corporation, the parent company of MP&L, AP&L, Louisiana Power & Light Company, New Orleans Public Service Inc., and System Energy Resources, Inc.

Together, our companies serve more than 1.6 million customers throughout this region. That includes more than 340,000 customers in 45 Mississippi counties.

I am honored to have the opportunity to address the sub-committee today, and I appreciate the invitation by Rep. Mike Espy.

I wish to begin by emphasizing that the Entergy Corporation is a rural utility.

We may serve Little Rock, Jackson and New Orleans, but most of our service lies in the rural areas of Mississippi, Louisiana, Arkansas and southeastern Missouri.

In Mississippi, for instance, MP&L serves nearly a quarter of a million people residing in areas with a population below 20,000. That includes 75 communities with populations under 1,500.

Ever since the late Harvey Couch, one of the founders of our electric system, worked directly with President Hoover and President Roosevelt as chairman of the Reconstruction Finance Corporation, our companies have been in the forefront of rural economic development.

Successful rural development demands a total commitment to teamwork among rural residents, federal, state and local government, and other permanent institutions. We must all work together, to forge permanent links, to make things happen.

We in the Entergy Corporation echo the Edison Electric Institute's position that "In order to benefit all rural Americans, we strongly support programs which give all utility ownership forms an equal opportunity to promote rural economic development."

We also endorse, along with EEI, the development of a modern national rural electric policy that is unrelated to the provider of electricity. Such a policy, we believe, would provide fair and equitable benefits to all customers and taxpayers in rural areas.

Moreover, we submit that the Entergy Corporation, and its operating subsidiaries, are already prepared to be effective partners in this national commitment to revitalizing rural America.

Since I do not have time this morning to even outline all the rural economic development programs of our companies, I have included that information in my written testimony.

Rather than trying to review these efforts, let me instead tell you about an actual rural economic development success story.

Six years ago the people of Walthall County, Mississippi, population 13,800, were suffering from 18.5% unemployment. Their primary industry, located in Tylertown, a community of just 1,900, had closed, and the agricultural economy was likewise depressed.

The leadership of Tylertown and Walthall County turned to MP&L's Area Development Department for assistance, and we all went to work together.

Six of their key citizens were trained through an MP&L leadership development program in Community Economic Development.

Our staff worked with their leadership to qualify Walthall County for Mississippi's "Key Community" designation.

We provided the county with a complete economic evaluation, a "report card" on their ability to compete for new investment and jobs, together with a plan of action.

We put them in touch with state and federal agencies, and other private development groups, which could help.

And MP&L provided a $3,000 matching grant which funded an engineering study to evaluate the feasibility of a new industrial park in Tylertown.

The results? Today, with one new industrial employer and various expansions, plus several new businesses, unemployment in Walthall County has been reduced to 8.5%.

And, perhaps most importantly, there is a "can-do" attitude in Walthall County that is found in too few of America's rural communities.

This turnaround was not simply the result of MP&L's commitment to rural economic development. The leadership of Walthall County should be congratulated for their accomplishments. But MP&L was, and is, recognized as a major partner in helping that community find new economic opportunities

I want to share with you another actual experience that is happening right now. Entergy Corporation, MP&L, and Mississippi Delta Community College have combined their resources in the battle to overcome the devastating impact of functional illiteracy. By using state of the art computer assistance, reading skills can be greatly improved and one instructor can work with 8 students rather than just one. The concept was proven in an urban setting last year. Now we will carry the program to the rural areas by literally putting it on wheels—in a van. I'm excited about the potential of this project and the value that rural Mississippi will receive from this $150,000.00 investment of MP&L and Entergy Corporation.

I want you to know that we are concerned about the revitalization of rural America, because we serve rural America. Our futures are directly linked.

We feel strongly that all entities concerned about the future of rural America must pull together in a team effort. We feel that it is in the best interests of our nation that the Congress consider ways to make rural economic development an inclusive effort, rather than an exclusive one.

The Entergy Corporation is prepared to carry its share of the load.

We hope that together our combined strength and willingness to foster economic development will make our efforts more meaningful, and more successful.

Thank you.

THE INDUSTRIAL FOUNDATION
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MAINSTREAM USA P. O. Box 1179 Ph. 334-2658 Greenville, Mississippi 38702-1179

TOMMY HART
EXECUTIVE
VICE-PRESIDENT

CHARLES GULOTTA
INDUSTRIAL
DEVELOPER

House of Representatives
Agricultural Subcommittee on Conservation,
Credit and Rural Development

Field Hearing on Rural Development, Clarksdale Mississippi,
August 7, 1989

George Berry, President, Industrial Foundation of Washington
County, Greenville, Mississippi

I am George Berry, President of the Industrial Foundation of Washington County and I am pleased to have the opportunity to present to the committee ideas on enhancing Rural Development.

This section of the country you are reviewing today, called "the Delta" is among the poorest areas in the nation and lags behind in economic growth and prosperity. It has the greatest amount of measurable poverty and unemployment.

Because our area suffers from the factors of high unemployment, low net family income, agriculture decline, decrease in small business activity, less competitive transportation, infrastructure, health care, housing and educational opportunities, the per capita revenue from public and private local sources is severely limited in competing for growth opportunities with more prosperous areas of the county.

Tremendous sums of federal dollars pour into this area everyday in the form of transfer payments, our largest source of income to our local economy. Believe me, we do not take pride in receiving federal help in this fashion alone. We would much rather see this region be a contributor to the economy by becoming a self generator of opportunity for all its citizens and we think it can happen, if positive action is taken at a federal level that will close the gap in competitive differences.

If real help and improvement is to come to this area, and government and the private sectors are to play a role, then additional sources of revenue will be needed. It can be provided in three basic ways: (1) Freeing up existing local governmental burden of expenses by transferring program costs to other levels of government (2) by direct additional financial participation from federal and state levels, and

(3) by providing an "advantage" consideration in programs for depressed areas.

The following examples represent suggested considerations that could provide needed solutions:

* Programs to aid infrastructure development.

* Relief and/or assistance with the burden placed on local government by human services agencies seeking funding for programs, many which began on federal funds and have been shifted to local government.

* Re-direct policy to a state or federal level for the primary responsibility of providing human an related services.

* Develop demonstration projects in conjunction with local governments to maximize their resources in the areas of law enforcement, recreation, medical development, planning and re-development, engineering technology, municipal services, fire protection, public facilities, waste treatment, solid waste disposal, etc.

* Re-evaluate state and federal purchasing laws to encourage expenditures of funds in local governmental area.

* Provide incentives to locate doctors in public supported medical facilities.

* Provide incentives to locate exemplary teachers in our region.

* Encourage the development of more government funded and maintained resources. ie. Government funded R & D programs, Military installations, tourism attractions, etc.

* Provide incentives for luring educators and development of demonstration projects in education.

* Develop and fund policy and programs for establishing incubator buildings in areas of high potential success such as Greenville and Washington County.

* Encourage the development of Federal Enterprise Zones with in the region and support the current application of Greenville. Be suggestive of incentives and supportive of their acceptance.

* Establish entitlement programs.

* Restore revenue sharing to the region.

* Award bonus points within the region to the applications of local governments in Federal competitive programs.

* Assure and support that funds received from paybacks to Community Development Block Grants be retained or recaptured within the issuing local governmental unit.

* Increase the level of funding for economic development projects as it relates to total CDBG appropriations.

* Create revolving loan fund programs for those counties that have been specifically defined as economically distressed counties with flexibility for making deals more feasible.

* Re-evaluate the use of JTPA funds and designate a portion for economic development marketing programs.

* Emphasize economic development programs and de-emphasize social programs as it relates to JTPA funds.

* Allow longer term training periods.

* Create a financing program with favorable rates and terms for minority owned businesses.

* Create a program for providing management assistance for minority owned businesses.

* Create programs which provide incentives (financial & tax) for business with majority employment of minority employees.

* Create a Minority Business Development Center in Greenville with funds from the U. S. Department of Commerce.

* Encourage the acceleration of 4-lane construction of U.S. Highways, 49, 61, & 82 as an incentive for growth.

* Support the construction of a four-lane river bridge at Greenville.

* Develop a strategy for identifying opportunities for value added processing of Mississippi Natural Resources.

* Provide incentives for incubator buildings.

* Further enhance Federal Government Procurement opportunities in the region.

It is our hope that suggestions such as the ones I have outlined will be considered strongly, for any one of them can provide the needed boost, coupled with local resources, "to make a difference".

Thank you again for the opportunity to appear before you with our recommendations.

THE ROLE OF TELECOMMUNICATIONS IN RURAL AREA DEVELOPMENT

Mr. Chairman. Congressman Espy. My name is Mickey Milligan and I am Manager of Economic Development for South Central Bell in Mississippi. My responsibility is to insure my state has the telecommunications technology in place to allow us to compete in the new global marketplace and to be sure the technology is being utilized in the optimum manner to improve our state's economy and, therefore, the quality of life for our citizens.

I appreciate the opportunity to appear before you today and to share my company's views on how telecommunications can play a vital role in rural area development. I commend Chairman English for convening these hearings in Mississippi and applaud Congressman Espy for his efforts in seeking ways to stimulate rural development, not just in the 2nd district or the state of Mississippi, but across the entire nation.

Since its invention in 1876, the use of the telephone in rural America has been to provide basic voice telephone service. However, rural America stands on the verge of a revolution--a revolution which could reverse the century-old trend of urban growth and rural decline. This revolution has been created by the convergence of computer and telecommunications technology. In this period, The Information Age, telecommunications is no longer a simple voice telephone service, but, instead, it is a mix of sophisticated data, voice, and imagery transmissions utilising some of the most advanced technology available today. Just as highways, railroads, and airports have been vital to the development of our current economy, telecommunications will be the cornerstone of the Information Age economy because it possesses the ability to span the traditional barriers of geography and time.

The question today is, "What must be done to ensure rural America takes advantage of this advanced telecommunications technology and participate fully in the Information Age?" To answer this question, one must do so from two perspectives. First, a telecommunications infrastructure must be in place to allow rural residents and businesses to access it. Infrastructure simply refers to the physical elements which must be available to connect the user to the technology. To us in the local telephone operating company, this means the central offices and the networks linking them with the rest of the world. Future deployment of this critical technology must be accomplished to provide rural areas the same information age capability as urban areas.

I am proud to tell you that in our Mississippi operation, which serves 82% of the state, we have an aggressive and ambitious goal to complete full deployment of this advanced telecommunications technology by the end of 1990. We are committed to equipping 100% of our central offices for stored program control switching and 100% of the networks linking those offices for digital transmission. When this is complete, the distance barrier that once isolated rural areas from urban areas will be eliminated and rural Mississippi will have the capability for instantaneous transmission and reception of voice and data to virtually anywhere in the world.

While South Central Bell and the other Bell Operating companies strive to put the most advanced telecommunications technology in place, restrictions imposed at the time of the AT&T break-up are preventing the American public from obtaining full benefit from its availability. As a result, the Information Age is a growing reality for people in other countries but not for Americans.

Congress must regain control of this nation's telecommunications policy by removing the restrictions imposed by a court order and overseen by a single man. Just as our entire country is poised to participate in the Information Age, these restrictions are creating incentives to export new information processing jobs rather than allowing them to be located in this country. I am attaching to my testimony a study by Dr. William H. Davidson of the University of Southern California which addresses one of the most critical results of continuation of these restrictions. In a speech delivered at a Washington symposium on "America's Communications: Deciding for the Future," Dr. Davidson told the group America is vulnerable for the first time to a loss of information processing jobs because information processing services can now be imported and exported via telephone technology.

I do not have enough time to elaborate, to the extent I would like, on the benefits of lifting these restrictions. But just to cite a few, the removal of these restrictions would allow this country to accrue the benefits of:

- More information processing jobs in America versus sending them overseas

- A turnaround of the $2 billion U. S. trade deficit in telecommunications products and services

- More research and development spending by the Bell Operating Companies and more U.S. patents by Americans

- Wide area access, and especially access by rural America, to advanced information age services

Across the nation, from the rural areas of Mississippi to the halls of Congress, debate is growing over the need to remove these restrictions. The outcome of that debate is critical because if these restrictions are not removed, the working men and women of our great nation will fall further behind in the global race to capture their fair share of the emerging Information Age markets.

H.R. 2140 has been introduced and has been the subject of hearings in the Energy and Commerce Committee. A critical relationship exists between the objective of this legislation and the objective of this Subcommittee.

Telecommunications can and will play a major role in the revitalization of our rural areas and small towns. To speed this revitalization, I urge your attention to and support for removing the shackles of these restrictions my company and others have been wearing for the past 5 1/2 years so we can once again proudly step forward to help lead this country into the Information Age and a brighter future for everyone.

Thank you again for holding this hearing and allowing me to appear here today.

(Attachment follows:)

INTERNATIONAL COMPETITION IN INFORMATION SERVICES: WHERE DOES AMERICA STAND

by

William H. Davidson

Prepared for

"America's Communications:
Deciding the Future"

Washington, D.C.
April 13, 1989

EXECUTIVE SUMMARY

The emerging global information services marketplace represents a tremendous opportunity for the United States. Our success or failure in this arena will be dependent upon the quality of our telecommunications infrastructure and the development of a strong information services industry. MFJ reform represents a powerful opportunity to stimulate the growth of a dynamic information services sector. The relaxation or removal of MFJ restrictions could greatly stimulate investment in infrastructure and growth in information services. Reform alone will not create a vital information services industry, but it can help in establishing the direction and pace.

Other nations such as Singapore, France, and Japan have made tremendous strides in deploying modern public communications networks and services. These countries have aggressively

Dr. Davidson's speech, which I will attach to my testimony, is 63 pages long. This is an executive summary of his speech.

incorporated new switching and transmission technologies. With these technologies and fiber optic cable links, distance now becomes almost meaningless in providing information services. Additionally, a number of foreign operating companies have adopted very aggressive strategies for new service introduction. Those services are now being offered in other nations. Canada and Brazil, for example are now offering services based on the French system. Foreign information services are currently being offered in several U.S. cities.

MFJ reform is the key component of a larger regulatory structure that currently inhibits the growth of a strong information services industry. A universally accessible modern public telecommunications network is a prerequisite for success in this arena. Without sharp increases in investment, the U.S. will fall behind in this key industry. More rapid investment can be promoted by permitting operating companies to offer new services that will generate revenue for reinvestment. Without an enlightened public policy, the U.S. information infrastructure will become increasingly non-competitive. Steps must also be taken to promote the development and deployment of information services. Regulatory frameworks that are biased in support of infrastructure and service development are needed to remain competitive in the growing global information industry.

Statement

of

Hobson Watts

Electric Power Associations of Mississippi

before the

Subcommittee on Conservation, Credit and Rural Development

Agriculture Committee

U.S. House of Representatives

August 7, 1989

Clarksdale, Mississippi

Mr. Chairman and Members of the Committee:

My name is Hobson Watts and I am Executive Vice President of the Electric Power Associations of Mississippi. I appreciate this opportunity to appear before you today on behalf of the 25 rural electric cooperatives in Mississippi and the thousands of people in the rural areas of our state which they serve.

Collectively, the electric power associations in Mississippi serve a major part of our state, primarily the small communities and rural areas of one of the more rural states in the nation. Daily contact with our members provides immediate and first hand information on the problems they are experiencing and the concerns they have for their economic future. These problems are not just perceived. They are real.

We are aware that other states share, in varying degrees, the problems of our rural areas - problems in agriculture, poverty, population declines, unemployment, the lack of

resources to create new jobs, the inability to finance facilities that will permit economic growth, and many others. Our national organization, the National Rural Electric Cooperative Association (NRECA), has become increasingly aware of the economic development problems of rural areas and has become more active in efforts to find solutions to these problems. On June 8, 1989, Bob Bergland, the Executive Vice President of NRECA, testified before this Subcommittee on the subject of Rural Development.

In his statement, Mr Bergland pointed out that the rural electric program is itself a prime example of a successful economic development effort. It is based on a strong partnership between an effective federal government agency - the Rural Electrification Administration (REA), and local grass-roots organizations -- the rural electric cooperative. Through this partnership, our nation was able to successfully bring electric service to rural America. A copy of Bob Bergland's complete statement will be provided you as attachment A to my statement.

We support all the issues covered in Mr. Bergland's statement. I would like to take this opportunity to discuss from a state and local stand point three of the issues he addressed. As I have already stated, the rural electric program is an example of a successful economic development effort. The years have shown that public/private partnerships can work. Therefore, we feel that the creation of an economic development unit at REA will also work for the benefit of all concerned.

We believe that there is a strong need for the Rural Electrification Administration (REA) to provide leadership and technical assistance in the economic development area. An economic development technical assistance group at REA could provide hands-on advice and assistance to rural electric systems on specific development projects. REA leadership and technical assistance will do much to increase the involvement and improve the

effectiveness of rural electric cooperatives' efforts in rural development. REA could provide resources that would allow the local rural electric systems to offer more assistance to local projects.

Secondly we support the idea of rural business incubation. These programs would provide a practical way of linking new rural businesses with technology and business insight. Such incubators would provide affordable rent, shared services, and access to management advice, accounting, legal and other services to promote the growth of rural businesses during the initial start up phase. East Mississippi Electric Power Association headquartered in Meridian has already participated in an incubator project in Kemper County, Mississippi. The ground breaking held December 14, 1988, in DeKalb, represented one of America's first rural business "incubators".

The 21,800 square foot small business incubator in the county industrial park will house five newly-established light manufacturing firms for up to three years during their start-up phase. This incubator was created through the combined efforts of the Kemper County Economic Development Authority, the Tennessee Valley Authority, and East Mississippi Electric Power Association. Through this incubator, Kemper County is leading the way for incubators in rural communities. A more complete explanation of this project is provided for you in attachment B.

The third and final area I would like to address concerns the great need for access to capital for economic development in rural areas. We believe that cost effective methods should be developed to encourage private banks and other financial institutions to increase the amount of funds they are willing to make available to rural businesses.

We believe that partnerships developed to promote this goal must include the requirement

that local entities match or exceed any amounts made available through a federal program. The local community should accept a measure of risk and be required to make a financial investment in the project.

A cooperative financing effort of this type will be announced Friday of this week in the central part of the state. For the past three months an electric power association has been working with a local economic development district on an innovative financing plan that will enable a proposed plant to become a reality. This plant when in full production expects to employ 300 people. If it had not been for the efforts of this electric cooperative, the local community would have lost out on the location of this plant. This innovative financing plan allows the local cooperative to loan the economic development district capital from its general funds that will be repaid over a specified period of time. These funds will be used to finance a building which will then be leased to the new company. Further information about this project can be seen in attachment C.

Both of the examples I have given, incubators and capitalization, show that in Mississippi the electric power associations are making a difference in the economic development of rural Mississippi. The third area I discussed, an economic development unit at REA can only enhance the efforts already being made by electric cooperatives.

Mr. Chairman, I have addressed only a few areas of our concern. We believe that delaying action in rural economic development will not only intensify problems but will also dramatically increase the cost of corrective measures in the future.

I appreciate this opportunity to present some of our thoughts on this most important subject. I will be happy to respond to any questions you may have.

(Attachment A is held in the committee files; additional attachments follow:)

KEMPER • COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
P.O. Box 260 • DeKalb, MS 39328 • 601-743-2754

Executive Director
Jody Tidwell

Economic Development in Kemper County

Like many rural counties throughout the country, Kemper County, Mississippi has known economic hard times for several decades. The result of these hard times – higher than average unemployment, population decline and economic stagnation. The county's per capita income in 1982 was less than half of the national average. To compound the problem, most of the income in the county was derived from welfare and social security checks.

Throughout 1983, community leaders began to develop a long-term blueprint for action in the form of an economic development plan. Since that time, significant progress has been made by Kemper County with the help of a partnership of agencies and organizations - notably, the ARC, SBA, East Mississippi Electric Power Association, the Mississippi Department of Economic Development and the TVA. The cooperative effort also included the Kemper County Board of Supervisors, the towns of Scooba and DeKalb, the County Development Block Grant Program, East Mississippi Community College, North Mississippi Industrial Development Association and the East Central Planning and Development District.

As a direct result of this cooperative effort, the Kemper County Economic Development Authority was created in 1984 to implement economic development. This included the recruiting of new industry, assisting the expansion of existing firms, developing new business opportunities, obtaining technical and financial assistance and preparing the community for economic development.

Consequently, the 122-acre John C. Stennis Industrial Park was developed in DeKalb for Kemper County. In addition, a 40-acre plot at Electric Mills, Mississippi is currently being developed for use by another new industry.

In the past five years, approximately 700 new jobs have been created through 8 new firms and two expansions in Kemper County. Sales tax collections are up for both Scooba and Dekalb. The latest available monthly unemployment rate was slightly above 10 percent, a breakthrough in the county's economic history.

The most recent project in Kemper County has been the development of a 21,800 square foot small business incubator in the county industrial park. The Kemper County Industrial Incubator Center, KCIIC, will house approximately five newly-established, small, light manufacturing firms for up to three years during their start-up phase.

Several other projects are currently under consideration as part of the county's development program. These include establishment of a multi-county investment fund that would be developed in cooperation with area banks, development of agricultural-related enterprises and strengthening of a partnership with neighboring Lauderdale County to identify new business and industrial opportunities based on existing voids in local markets for raw material and inputs.

KEMPER • COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
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Executive Director:
Jody Tidwell

Kemper County Economic Activity

Progress in economic development in Kemper County has resulted in the following new manufacturing businesses. Employee numbers are based on 10-24-88 listings.

CADE RUBBER COMPANY
Manufactures rubber matting, mill matting, fatigue matting, door mats and other miscellaneous items.
6 employees

PRIME LINE CATFISH
Catfish processors
90 employees

CHAHTA ENTERPRISES
Automotive wire harness for Ford Motor Company
130 employees

PONDEROSA PROCESSING
All types of meat processing and preparation
5 employees

VANCO INDUSTRIES, INC.
Camouflage clothing for the military
150 employees

KEMPER GLOVE/LYNVILLE
Work gloves, cotton and leather
140 employees

ALPLY
Aluminum insulated outside wall panels
37 employees

NEMANCO, INC.
Designer jeans
150 employees

SOUTHERN CIRCUITS
Electrical wire harness for refrigerators
25 employees

PILGRIM'S SYRUP FARM
Regional specialty syrups

KEMPER CATTLE SERVICES
Backgrounding or preconditioning of cattle for sale
5 employees

CHRISTMAS DIMENSIONS, INC.
Christmas accessories, including tree skirts
40 employees

JACK ADAMS MOLASSES
Ribbon cane and sorghum molasses

WEYERHAUSER COMPANY/SCOOBA REGIONAL
Timber products
10 employees

KEMPER • COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
P.O. Box 280 • DeKalb, MS 39328 • 601-743-2754

Executive Director:
Jody Tidwell

Kemper County
A Brief History

Kemper County was created by an act of the Mississippi Legislature in 1833 and was formed out of a portion of the Choctaw Indian Cession under the Dancing Rabbit Creek Treaty.

The Choctaw, Chickasaw, Alabama and Muscogee Indians were the original inhabitants of the land. Located in the county is the large Indian mound known by the Tribes as Nanih Waiya (bending hill). There are many variations in the legend about the mound and the "city" that was built around it.

The white man came to Kemper County in the early 1800s. Among the first to arrive were Nathan, Reuben and Samuel Kemper, sons of preacher Peter Kemper from Virginia.

In the war of 1812, Nathan and Reuben lent General Andrew Jackson valuable assistance in the battle of New Orleans. Reuben did some spy work for Jackson, earning great praise.

Another early settler was Dr. Hunnerly from Camden, South Carolina. He built the first water mill, which was later acquired by the Sciples family. It is the only water mill still running in the county and is still operated by the Sciples family.

Many of the early settlers in the Mississippi Territory traveled through Kemper County, with some of them living in the area for a year or so to refurbish and regroup.

The county seat, DeKalb, was named for Baron Johan DeKalb, a German citizen who enlisted in the French Army at an early age. He came to America with the French General LaFayette to help in the Revolutionary War. Johan was killed in the Battle of Camhden and was buried in South Carolina.

Points of interest in the county include Kemper County Lake, near Preston, with more than 620 acres of water and recreational facilities; Kemper Historical Museum in DeKalb and Kemper Springs, one of the state's first resort areas. It included a race track and was noted for its 26 different springs of health giving waters. DeKalb is also the home of Senator John C. Stennis.

The Incubator Concept: Its Role and Characteristics

Incubators and Their Promise

Incubator. The word implies a warm, safe home for birth and that is exactly what today's economic incubators are -- safe places for beginning businesses to hatch.

The national statistics on the survival rate of small businesses are bleak. In fact, small businesses have an 80 percent chance of failure in the first year. On the other hand, the statistics for survival of businesses hatched from incubators are just the opposite -- 80 percent success.

Typically, incubators are buildings in which a number of new or growing businesses can locate and operate at a much lower overhead cost than in conventional spaces where market rates prevail. Incubator facilities are characterized by access to shared, readily available, centralized services such as clerical and administrative help, receiving and shipping facilities, conference rooms, computers and word processors and other business assistance.

The purpose of most small business incubators is to reduce small business failures by making it easier for them to survive the critical early stages of business development. This is achieved by providing inexpensive, appropriately-sized space, access to commonly-required administrative support services and access to management, financial and technical assistance.

All new businesses make mistakes, but incubators give new firms "breathing room" to learn from errors that otherwise could be fatal. Valuable working capital is preserved by reduced overhead in an incubator facility. A second goal of most incubators is to "graduate" their tenants to conventional quarters when the business is strong enough to stand on its own.

Sponsors and Objectives

Incubator facilities have been started and operated by cities, counties, regional authorities, large corporations, small companies, universities, chambers of commerce, not-for-profit development groups and private real estate developers.

Motivations may include profit, utilization of vacant buildings, job creation, urban redevelopment, marketing outlets for sponsor products and services, general economic and business development or some combination of the above.

Tenant Composition (Target Market)

Incubator sponsors often design their facility to attract tenants in particular industries or with well-defined physical needs (e.g., wet laboratory space or a railroad spur). One popular perception is that incubators are for high technology start-ups. While a large number are, many incubators are successful with occupants in manufacturing, assembly, service, wholesale and retail industries.

Most facilities use leasing criteria and screen potential tenants to suit a defined objective while some have succeeded by initially renting to anyone who could afford it. Several projects have included established firms in their tenant mix to provide reliable cash flow from businesses that can afford higher rents and to help stabilize the facility during the potential long lease-up period.

Rent, Fee and Graduation Policies

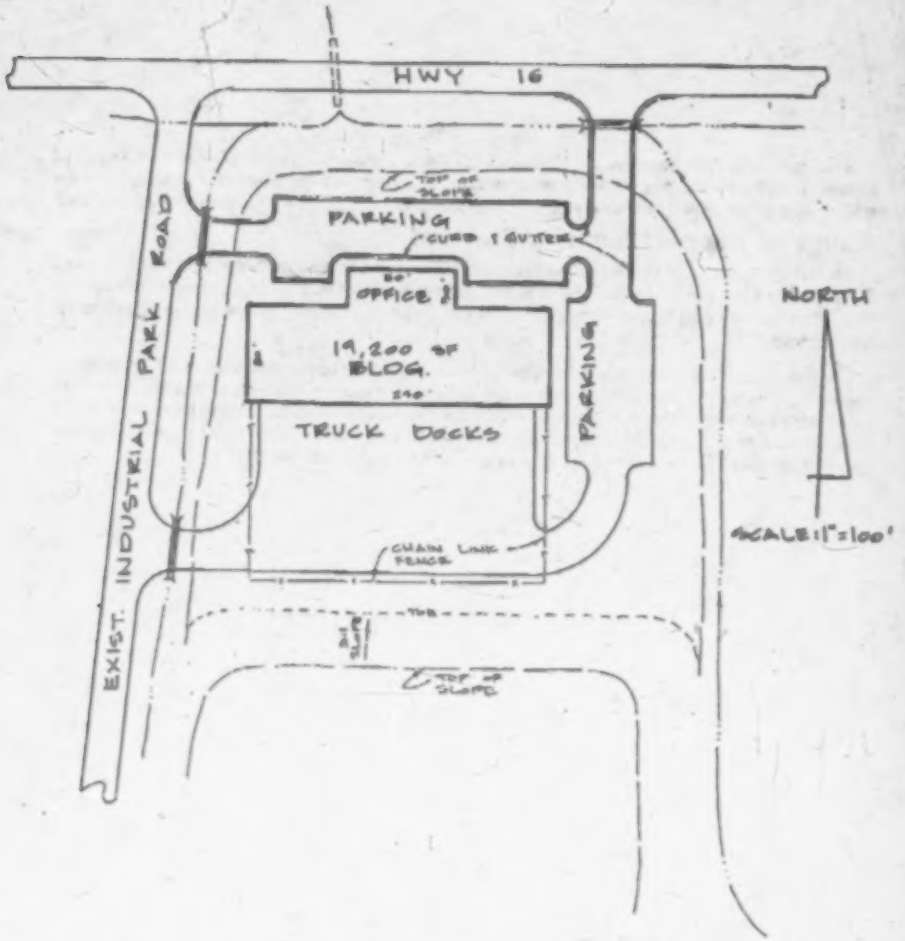
Incubator leases may be uniformly structured with a pre-determined rent structure or handled case-by-case according to an individual firm's circumstances and needs. Some sponsors take equity positions in tenant firms.

Base rent in an incubator may include utilities and a common core of services with unlimited access. Many services and business machines are provided on a fee basis so firms pay only for what they use. Incubator sponsors often price services at or below cost to minimize tenants' overhead.

Range of Support Services Provided

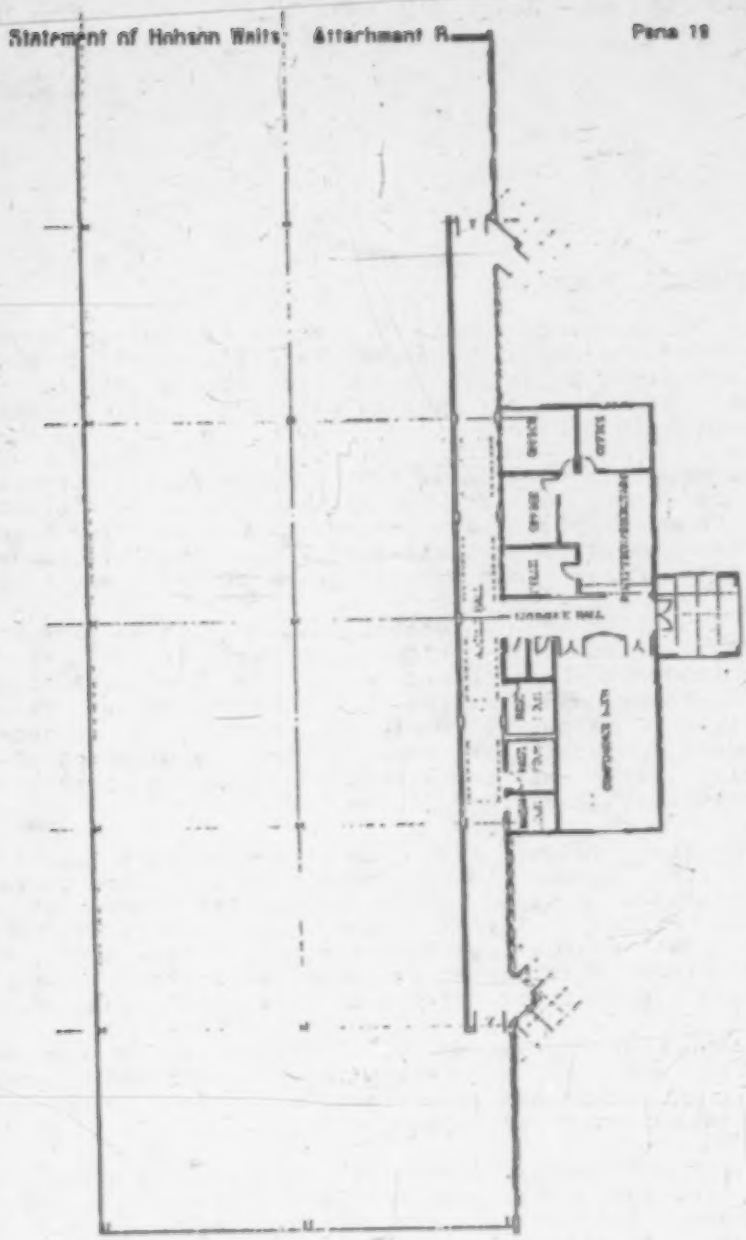
An infinite number of service combinations can be offered to tenants. Most newly formed small firms do not have sufficient business to justify full-time administrative help. Sponsors can provide this centrally, including typing, stenographic, copying, mailing, shipping, phone answering and reception services.

Conference rooms, business and technical libraries, credit reports, insurance and joint purchasing arrangements can also be provided. Some incubator managers contract or arrange for professional services, consultants or other business development resources through private and public sector organizations or programs. Incubator directors work with public officials involved in business development so tenants can be referred quickly to appropriate assistance sources.



PROPOSED
SMALL BUSINESS INCUBATOR
KEMPER COUNTY INDUSTRIAL PARK

Statement of Hohann Wells Attachment R Para 19



FOR IMMEDIATE RELEASE

DEKALB, MS -- Senator John C. Stennis and Marvin Runyon, Chairman of the Board, Tennessee Valley Authority, head a group of dignitaries scheduled to attend the ground-breaking of one of America's first rural business "incubators" in DeKalb.

The groundbreaking begins at 1:30 p.m. Wednesday, December 14, at the John C. Stennis Industrial Park in DeKalb. The Kemper County Industrial Incubator Center "incubates" small and emerging businesses to enable them to grow and create jobs and economic growth for the local community.

Kemper County's new incubator came about as part of a comprehensive community effort, headed by the Kemper County Economic Development Authority, East Mississippi Electric Power Association, and the Tennessee Valley Authority. Kemper County's aggressive economic development program has led to the development of an industrial park and an attitude of serious cooperation among community leaders.

The Tennessee Valley Authority has also lent a hand in creating the Kemper County Industrial Incubator Center. Part of TVA's mission is to develop the economy of the Tennessee Valley. Kemper County is served by TVA power through East Mississippi Electric Power Association, and it was EMEPA that served as consultants for both Kemper County and TVA in their efforts to start the incubator.

Other agencies who aided were The Appalachian Regional Commission and the Mississippi Department of Economic Development. The ARC historically has been involved in innovative economic development.

Incubators provide a range of services and a business climate favorable to small and emerging entrepreneurial enterprises. Almost all of the incubators in the U. S. today are in metropolitan areas, thus Kemper County is leading the way for incubators in the rural community.

The Kemper County Industrial Incubator Center was conceived in early 1987 and will house four to five small manufacturing enterprises for an average stay of one to three years. The Center provides affordable rent, shared services and management assistance in technical matters and marketing.

The Center plans to provide funding for start-up costs and will help secure loans and grants. So far, the Kemper County Economic Development Authority has identified several prospects who have expressed serious interest in being in the Center.

Scheduled to attend the groundbreaking ceremonies with Senator Stennis and Runyon will be Rep. G. V. "Sonny" Montgomery; Speaker of the House, Tim Ford; Glen DeWeese, President Pro Tempore; J. Mac Holliday, Director of the Mississippi Department of Economic Development; and Emmett H. Murray, General Manager of East Mississippi Electric Power Association, as well as other dignitaries.

For more information:

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Kemper Co. Economic Development Authority
(601) 743-2754

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East Miss. Electric Power Association
(601) 483-7361

FOR IMMEDIATE RELEASE

DEKALB, MS -- Combined efforts by the Kemper County Economic Development Authority and East Mississippi Electric Power Association have led to the groundbreaking of one of the first rural "incubators" in the country.

The groundbreaking begins at 1:30 p.m. Wednesday, December 14, at the John C. Stennis Industrial Park in DeKalb. The Kemper County Industrial Incubator Center "incubates" small and emerging businesses to enable them to grow and create jobs and economic growth for a local community.

EMEPA, in its continuing role of serving the needs of its members, has been actively involved in the creation of the incubator from its inception. Incubators provide a range of services and a business climate favorable to small and emerging entrepreneurial enterprises. Almost all of the incubators in the United States today are in metropolitan areas, thus Kemper County is leading the way for incubators in the rural community.

The idea for the Kemper County Industrial Incubator Center was conceived in early 1987, and the Center will eventually house four to five small manufacturing enterprises for an average stay of one to three years.

EMEPA's efforts to create the incubator have been appreciated by Kemper County. "EMEPA was one of the initiators of the project," said Jody Tidwell, Director of the Kemper County EDA, "as well as the Mississippi Department of Economic Development. In fact, EMEPA's General Manager Emmett Murray had vision to not only talk about the project, but actually take the time and the manpower to get the incubator off the ground."

EMEPA was active with Kemper County in producing the feasibility study for the project and in securing funding, by mediating with the Tennessee Valley Authority and the Appalacian Regional Commission.

"We will continue to work closely with the project and offer all of the support we can," said Emmett Murray.

In the near future, the Center plans to provide funding for start-up costs and will help secure loans and grants. So far, the KCEDA has identified several prospects who have expressed a serious interest in being in the Center.

- more -

Several dignitaries are scheduled to attend the December 14 groundbreaking in DeKalb. They include Senator John C. Stennis, TVA Chairman Marvin Runyon, and Representative G. V. "Sonny" Montgomery. Also on hand will be Speaker of the House Tim Ford; Glen DeWeese, President Pro Tempore; and J. Mac Holliday, Director of the Mississippi Department of Economic Development. The West Kemper High School Band will provide entertainment.

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MISSISSIPPI DEPARTMENT OF ECONOMIC DEVELOPMENT
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MISSISSIPPI

RELEASE DATE:
Wednesday, December 14, 1988

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Marcia Carlson, MDED Communications, 359-3452;
Jody Tidwell, Kemper County Economic Development Authority, 743-2754;
Emmett H. Murray, East Mississippi Electric Power Association, 483-7361

Groundbreaking ceremonies for Mississippi's first rural business incubator were held today at the John C. Stennis Industrial Park in DeKalb, Mississippi. The 21,800 square foot building will provide centralized, shared services and on-site management expertise for four to five newly-established small, light-manufacturing firms (5-15 employees) for up to three years during their start-up phase.

Speaking at the ceremony were Mississippi's retiring senior senator, John C. Stennis; U.S. Representative G. V. "Sonny" Montgomery; Marvin Runyon, Chairman of the Board, TVA; and J. Mac Holladay, Director, Mississippi Department of Economic Development. Representing Governor Ray Mabus, Holladay commented, "This development is an example of a community working together to accomplish a goal. The incubator concept is one of the tools we can use to encourage and support the start-up of new businesses. Creation of new jobs and wealth will come primarily from new local businesses and from local efforts like these. This fits in beautifully with our new efforts in enterprise development and regional operations."

Funding for the facility was provided by the Tennessee Valley Authority (TVA) and the Appalachian Regional Commission (ARC) with Kemper County and Dekalb donating land and Kemper County Economic Development Authority providing operating funds. East Mississippi

more

Electric Power Association will manage the facility through a lease with a local nonprofit corporation.

Management expertise will be provided by the East Mississippi Community College, Meridian Community College, the Mississippi Department of Economic Development, and the Tennessee Valley Authority. Day-to-day operations of the facility will be handled by the Kemper County Economic Development Authority. The Kemper County facility will be a member of the state-wide network of incubator operators and developers which is sponsored by the Mississippi Department of Economic Development to share information about successful management of incubators.

Business incubators make it easier for businesses to survive the critical early stages of development. This is achieved by providing a multi-tenant building in which new and fledgling businesses can locate and operate at lower overhead rates than in conventional space. Incubator facilities are characterized by 1) below-market rental rates; 2) access to shared, centralized services such as clerical and administrative help, shipping and receiving facilities, and conference rooms; and 3) counseling on various aspects of the operation of the businesses. By sharing these services they can operate at a substantially lower cost than they would individually incur. During their maximum three year residency, businesses are programmed for graduation into other private sector space.

"Congratulations and appreciation for their hard work are extended to the Kemper County Economic Development Authority; the Kemper County Board of Supervisors; F. D. Harbour, Mayor of DeKalb; Lloyd Hutcherson, Mayor of Scooba; John McClellan with Mississippi

TVA; Jimmy Caldwell and Kathy Shappley with Mississippi ARC; Colbert Crowe and Gary Mathews with East Central Planning and Development District; Emmett Murray and Mike Reich with East Mississippi Electric Power Association; and Gerald Mills of our Central Regional Office," said Holladay.

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ELECTRIC COOPERATIVE PARTICIPATES IN INNOVATIVE FINANCING EFFORT

A public announcement of this project will be made at 10:00 a.m. Friday, August 11, 1989.

An economic development district in the central part of the state will build a 60,000 sq. ft. plant. This plant will then be leased to a manufacturer of parts for the automobile

Since this company had serious time limitations, it was necessary for the district to work out a financing plan and have the plant built as quickly as possible. In order for the plant to be built in a specified location, a rural electric cooperative located in south central Mississippi loaned the county economic development district $1,000,000 at 6.75% interest to be repaid by the district over a 10 year period. The loan was unanimously approved by all involved.

Repayment of the loan is secured by the county and further backed by a letter of credit from a major bank in the state.

This is obviously a very direct way in which a rural electric cooperative has assisted in creating jobs in their area and has done it with complete protection of its membership. If this financing effort had not been possible, the community which is greatly in need of jobs, would have lost this plant location.

GREENWOOD
LEFLORE COUNTY
CHAMBER OF COMMERCE
P.O. BOX 848, GREENWOOD, MISSISSIPPI 38930, (601) 453-4152

SUBCOMMITTEE ON CONSERVATION, CREDIT & RURAL DEVELOPMENT
JIM SHARKEY, EXECUTIVE VICE PRESIDENT
GREENWOOD LEFLORE COUNTY CHAMBER OF COMMERCE
GREENWOOD, MISSISSIPPI AUGUST 7, 1989

My name is Jim Sharkey and I represent the Greenwood Leflore County Chamber of Commerce, the Greenwood Leflore Industrial Board and the Greenwood Leflore Economic Development Foundation. These three organizations are located together and utilize a combination of public and private monies to facilitate community development, economic development and educational enhancement.

Our membership and respective boards are comprised of leaders from agriculture, business, city and county government, and also manufacturing and professional individuals. Each organization has a particular program of work but the overall goals and objectives are woven together to address the identifiable problems facing a typical rural city and county.

Since each of these objectives will be discussed by other panel participants today, I do not feel it is necessary to elaborate each problem area. However, I feel our focus should be mentioned in order for the distinguished subcommittee to accurately report its findings to the Agriculture Committee. Our efforts are three-fold: job creation for our present and future workforce, a total commitment to strive for excellence in our educational system and a persistent effort on community improvement to upgrade our deteriorating infra-structure and quality of life.

Rural America is facing these three stumbling blocks at an alarming rate today and I personally feel the time has come for our country to develop a complete and comprehensive plan to address each issue in order to place the majority of our country into the mainstream of international economics. The longer our congressional leadership delays a clear and concise plan to eliminate the erosion of America's "backbone", the more our country will be faced by foreign competition, an ever increasing budget deficit and a workforce that cannot compete because our country does not invest enough tax dollars in its most valuable resource, "OUR PEOPLE."

This is not an indictment of our government, its leadership or the average citizen. This is reality at the local level and I believe this is what this committee came to hear.

As a country, we have all the right ingredients already in place. We have more brainpower than any other country in this world, we have a free democratic society which allows us the right to resolve our problems in any manner we deem necessary and we have the will and fortitude as American citizens to do our part in order to maintain our position as the strongest economy in the world. However, the time to act is now, the place is where we sit and speak today and the answer you seek is commitment from leadership at the local level as well as the national level.

As a representative from one of the most economically depressed areas in the nation, I can tell you the needs of the Mississippi Delta are <u>great</u>. Unemployment rates continue to increase, especially among minority populations, per capita incomes, and educational levels are among the lowest in the nation and job opportunities are scarce. However, I firmly believe we have an untapped wealth of human resources awaiting the investment it is long overdue. We have the leadership it will take to accomplish the rebuilding of the Delta and rural America. We have undertaken programs such as leadership development, literacy, excellence in education especially in our public schools and the list goes on. However, it is not enough. The truth is human and financial capital support is needed on a long term basis. An effectively researched development plan is a must and I sincerely hope our efforts today will be the impetus to secure such a plan.

The recent formation of the Lower Mississippi Delta Development Commission is the vehicle we have long awaited in the Delta to guide us. I believe this effort to address the socio-economic needs of our region will be explicit once the commission completes its mission. Therefore, I encourage you today to take back this testimony and share it with your colleges in Congress. I believe I can speak on behalf of all development agencies in our region to assure you of our pledge of commitment to do whatever is necessary at the local level to revitalize the Delta.

We appreciate this opportunity today to be one of only four areas to be heard from in rural America. Furthermore, we are grateful for the support and cooperation you have shared with us in recent legislation and hope this hearing will create further legislation to enhance local government efforts to help themselves. There is no easy answer to our

dilemma and the solution is definitely long term. However, there is great hope and determination on our part that you afford us the tools to rebuild rural America and the Mississippi Delta.

Personally, I am deeply grateful to each member of this subcommittee today for allowing me to represent my community, county and the Delta Region. We are very proud of our progress and achievements and look forward with anticipation to your assistance in order that we may be a model for all of rural America. Thank you.

Testimony
U.S. House of Representatives
Committee on Agriculture
Subcommittee on Conservation, Credit and
Rural Development

Paul A. Sundet, PhD
Associate Professor
University of Missouri-Columbia

Gail L. Imig, PhD
Associate Vice President
University of Missouri

Ron Powers, PhD
Assistant Vice President-Extension
University of Missouri

Mr. Chairman and Members of the Committee: My name is Paul Sundet, University of Missouri, and I am appearing before the committee to report on the rural development priorities of the University Extension Service. Dr. Gail Imig, Associate Vice-President for Academic Affairs and Dr. Ron Powers, Assistant Vice-President for Extension wish me to convey to the committee our appreciation for this opportunity to report back to you on the progress we have made in rural development programming in the past four years and to briefly outline for you some proposed directions in which the extension service may contribute in the future.

As Rep. English noted in his statement of July 28, 1989 there are truly basic problems in our rural regions that cry out for meaningful action. The term "crisis" has been overworked but the concept in its technical sense is still useful in describing conditions in our area. Some individuals, institutions and whole communities are still in crisis. More have resolved that crisis but not always in a positive way. Alcoholism, substance abuse, domestic violence and incidence rates for mental illness continue to rise. In many rural Missouri counties, transfer payments now account for between twenty-five and thirty percent of all personal income and that percentage continues to rise. The number of farm bankruptcies was greater this year than last and 22% greater than in the "crisis" year of 1985. And the basic infrastructure of our communities continues to deteriorate. The recent drought conditions, for instance, have only accentuated what we already knew about the adequacy of water supplies.

Most of the current problems are not new. They have been, however, accelerated and aggravated by the recent rapid economic changes. And these problems are most certainly not going to be cured by old solutions. For that reason extension has been searching for new and innovative approaches to organize and deliver services and in that effort we have been greatly aided by the resources provided under Sec. 1440 of the 1985 Farm Bill and its successor in this area, PL 100-219, the Rural Crisis Recovery Program Act. Under this legislation eight states, Iowa, Kansas,

Mississippi, Missouri, Nebraska, North Dakota, Oklahoma and Vermont, were provided with $3.3 million dollars to conduct exemplary programs to address the crisis situation. Five program categories were specified: mental health outreach and crisis intervention; individual and family financial counseling; vocational skill evaluation and job search assistance; community capacity building; and entrepreneurship education.

A summary of the activities conducted under each of these program titles was presented at the Rural Caucus meeting on July 12, 1989. Some of the highlights from that report are as follows:

a. Mental Health Outreach and Crisis Intervention:

Among the crisis management programs emphasized at that time were the efforts of Vermont, Iowa, Oklahoma, North Dakota and Missouri in linking mental health and extension resources to reach distressed rural persons. Kansas State's rural recovery project includes a rural family support component designed to increase the effectiveness of existing mental health personnel and programs in helping people under stress adjust to changes in their lives and economic conditions. North Dakota now has a 24-hour hotline, jointly operated by extension and the mental health association, to deal directly with emotionally distressed rural families and a youth self-esteem program aimed at helping young people adjust to the changing social and economic conditions confronting their families. Iowa and Oklahoma have entered into

formal contracts for service with their state mental health systems as well as developing outreach services of their own. Approximately 45% of Missouri funds have been used to place trained mental health center outreach workers in extension offices throughout the northern third of the state providing service not only to distressed farmers but lenders, clergy, local officials and educators in particular. To date they have had over 30,000 direct contacts, almost five thousand of those clinical in nature.

b. Individual and Family Financial Counseling:

Much of Mississippi's activities have focused on this aspect of the program. Two farm and family financial management centers have been established serving many of the more economically impacted counties of the state. Additionally, funds have been used to provide intensive farm and family management training for extension agents, a series of annual farm business management seminars, a hotline operated out of the two centers which deal with financial management centers, and four farm business management/marketing clubs in which farm families receive in depth training in the areas of marketing, financial management, risk management and business management. In Kansas a demonstration program called "Balanced Farming and Family Living" has proven so successful that the legislature has doubled it using state funds. Vermont's Family Agricultural Resource

Management (FARM) provides counselors in six regions who have provided assistance on job and financial matters to over three hundred farm families. The Oklahoma manual on financial planning and management now has wide circulation not only in that state but throughout the midwest. Nebraska's Farm Counseling Centers, majorly funded through this program, are multi-service centers that offer personal and financial counseling and referrals to other appropriate resources.

c. Vocational Skill Evaluation:

A cornerstone of Missouri's overall program has been the Career Options project. Sixty-five one and three day workshops have been conducted to assist rural clients to assess their job skills and marketability, prepare for the job search process, write resumes and learn interviewing skills. A career information hotline has been established connecting rural residents, both clients and service providers, with the UMC Career Planning and Placement Center. The Career Options program initially was focused on displaced farmers but has been expanded, by local requests, to other target populations. It has proven particularly beneficial in communities that have suffered from sudden plant closing. North Dakota and Kansas too have developed workshops to assist rural persons in the job search process.

d. Community Capacity Building:

Kansas' statewide telenet conference on "Community Survivability" reached over 250 leaders in 45 different sites around the state. In Iowa, the Tomorrow's Leaders Today initiative has benefited over sixty communities. North Dakota's programs include work with local development corporations in facilitating job opportunity and assembling data on cost and structures of local governments to develop more cost efficient means of delivering public services. A typical example of what has come from these programs is the Human Service Coordinating Councils that have developed in Missouri as a result of 1440 and Pl 100-219. Early in the outreach efforts it became apparent that local service providers were often unaware of what each other had to offer, shared little information and that rural residents had to negotiate a labyrinth of agencies and policies to obtain services. As a result of extension leadership a "Memorandum of Agreement" has been signed by the five major human service agencies in the state (Health, Social Services, Elementary and Secondary Education, Mental Health and Extension) mandating local coordinating bodies, sharing of both information and resources, and, for the first time, joint programming. Thirty-nine such county-wide organizations now exist and training for 188 leaders from these organizations is being jointly funded by the five state agencies.

e. Entrepreneurship Education:

The development of eight Management/Marketing Clubs across Mississippi is just one example of the innovative approaches being tested in this category. In Vermont and Iowa the emphasis is on reaching rural women; in North Dakota, Nebraska and Oklahoma youth have been particularly targeted. The programs encompass traditional agriculture, alternative agriculture and creative approaches to developing and marketing indigenous resources.

The foregoing is only a brief listing of what has and is going on under the authority and with the funds provided by the '85 and '87 acts. Each individual state has prepared a report of its activities and those are available to the Committee for its use.

There are some things that we have learned from these demonstrations that we would like to share with you. First, the networking function is critical to effective rural development. We found that there was not so much a dearth of services as a utilization problem, namely getting people to services and services to people - and getting providers to work cooperatively together rather than to compete for scarce resources. Second, the term "leveraging" has also become an overused buzz-word but we have been surprised and gratified that with a relatively small amount of money (the actual amount ranges from $300,000 to $480,000 per state) significant services have been developed and

substantial state and local resources generated. Nebraska, Kansas and Missouri are immediate examples of state resources being invested to continue and expand what was originally begun with federal dollars. Third, of the vulnerable rural populations we have been working with during the "crisis" period, the most at-risk are the youth. Clearly if long-range rural development is to be successful, the emotional, social and educational needs of the young people must be of the highest priority. And fourth and lastly, the land-grant universities and their extension arms have demonstrated that they are an effective and viable tool in the overall rural development effort.

With these conclusions in mind there are three specific suggestions that we would like to make to the Committee as arenas of action in which Extension can most effectively impact on the development process:

1) Continued support of highly targeted projects such as those proven successful in the eight project states is indicated. These seed monies should be made available to other impacted states to prompt the kind of innovation, collaboration and coordination that is taking place in the original sites.
2) Rural leadership training for the changing nature of the context is essential. The Agricultural Leaders of Tomorrow (ALOT) program should be used as a model for a Rural Leaders of Tomorrow (RLOT) to insure that what we now try so hard to

develop will have the human resources in the future to carry on.

3) The need for systematic data base development, as a foundation for targeted rural development is imperative. Members are familiar with the information provided the Food and Agriculture Policy Research Institute (FAPRI). Such a structure, maximizing the resources of the land grant universities, is needed in the broader arena of rural policy development to gather and analyze data and to present policy options that legislative and executive decision-makers at all levels of government, business and civic leaders, educators and the like can use in making informed decisions about programs that will impact the 21st century.

In conclusion, we most certainly support suggestions that the Committee has received about the need to replace and repair rural infrastructure, improve water quality, provide venture capital and support developments in production agriculture. But we would also point to the human element in rural development, that the quality of life includes but extends beyond the economic sphere and that for development to be lasting, the wide range of human needs must be addressed.

The land grant universities and their extension services cannot by any means do everything that is required of "rural development" but we do represent a unique body of expertise, a

structure that has existed in every rural county for 75 years, one that has been successful in demonstrating new approaches to solving fundamental rural problems, a service with credibility and a vast backup expertise system already in place. We are an able and willing partner, eager to make our contribution to your efforts to achieve growth and prosperity in non-urban areas of this country.

Thank you for this opportunity to express our concerns and views.

My name is Charlie Sanders. I live in Senatobia, Mississippi and have been in the business of building homes in the North West Mississippi area for seventeen years. I am the State Rural Housing Chairman for the Mississippi Homes Builders Association. I am also a State Director and a National Director for the National Asociation of Homes Builders.

I build approximately thirty homes per year and half of these are in the county. We have a great potential for growth in this area, but we're hindered because of problems that are solvable that are not being addressed at this time.

I want to give this hearing some insight on what these problems are and a quick, easy way to solve them.

Farmers Homes Administration is the only source of rural housing finacing readily available. They have low maximum income limits and small house guidlines to follow. In most cases the time between application and funding for a new home is eighteen to twenty-four months, due to the drastic cuts in U.S.D.A. Rural Housing Funds. My home county of Tate is making twenty-five to thirty loans per year, but they could do more if funds were available.

Personel is also a limitation. Assistant County Supervisors are usually shared between counties, which further slows down the processing time. This same limited staff still makes Guaranteed loans, operating

loans, farm ownership loans, emergency loans, and most recently the 1951-S Farm Servicing program. This, in addition to normal forclosures, inventory servicing, chattel checks, property inspections of housing and farmers, and an occasional bankruptcy, makes Farmers Home Administration a very overworked agency.

In the past five years the program has been cut to approximately sixty percent of what it was in dollar value. The sizes of houses have been lowered to control cost per loan and try to extend the available money as far as possible.

There are few country subdivisions with affordable lots. The reasons are a combination of limited available money for construction of houses and the big lag time between application and funding.

The 502 subsidized payment program works very well, but it needs some modification along with more funding. Once a family qualifies for a home, they should get intrest credit for as long as the formula works for them mathematically. The current regulations do not allow this. The family is currently subsidized to a sudden cut off point. To modify the rules would make an easier transition from subsidy payment to full payment. At this point, mortgage companies will look at a current Farmers Home Administration customer, and his ratios will be much better, and we can then graduate this borrower to a H.U.D. insured, private mortgage company. This is the goal of all Farmers Home Administration loans by law.

In Tate County, for example, the low income limit is

$15,000 for a household of three people. If the man is the only salaried person and his adjusted income is $14,000, he qualifies for intrest credit which is partial help with his house payment. Now his family is in their home, after their ± two year wait for funds on the approval list. He can receive intrest credit until his income raises to the moderate income limit of $20,500. In the next four to five years he gets a raise. His new adjusted income is $16,000, and his wife gets a job, and his new adjusted income is now $21,500. He loses his intrest credit on his house payment, and it goes to the full payment at the original note. Six months later his wife is laid off. He goes to the local Farmers Home Administration office, up to date in payments,and asks for his intrest credit to be reinstated. He's not eligible. Once he goes over the moderate limit, $20,500, he can't qualify for intrest credit again unless his adjusted income is under the low income limit of $15,000. Remember his new adjusted income is $16,000 without his wife's job. He can't make a full payment on his salary alone. My suggestion is, as long as it works mathematically, make the customers eligible for intrest credit. I have attached a chart for reference attachment B.

There is a 502 moderate income program that is never funded, but it continues to be offered each year. This same three household family can make over $15,000 per year, under $20,500, but they must make the full payment and show on their budget that they can do it. The first example family I told you about had the full payment "dropped" on them.

Another point here is that all the payments that are

mailed to the finance office each month goes into the general fund of the government. There's no accounting on the plus side of the ledger to Congress, so they can see the principal and intrest Farmers Home Administration is contributing to the budget. Another source of funding for rural housing is Housing & Urban Development and Veteran Administration. We don't consider it readily available because you need a willing lender, a good market area, and they limit their loan amounts to a degree, based on the market in the area. A big draw back is, in the country, there are few comparable sales. Appraiser comparables are limited to within two miles, six month old or less sale date, and can't adjust over 10% in value for age, time, or distance for the property being appraised.

A suggestion here is to take the median income for the area, the appraiser's best comparable, and devise a formula to establish a fair market value until some current sale is recorded.

We have currently in operation in Mississippi a Mississippi Housing Finance Corporation Bond Program. They have restrictions imposed on us by the Internal Revenue Service because the proceeds of these bonds are tax exempt. This issue is very helpful if you can qualify. It ends in 1989 and there will not be another program because of a sunset law passed in 1987.

Up to two years ago we had the Federal Land Bank making housing loans. Their rates were high and variable.

Their closing costs were higher than a city type loan. These loans were popular any way because it was the only financing available for larger loans in the $60,000 range and up. The farmer program put them out of the house financing business.

One critical need that hurts rural housing development is a stable job market. We have young adults leaving the state who really want to "stay at home". Every person that leaves robs the county of tax paying, home building, and productive adults. Rural development is directly related to industrial development, which directly influences rural housing.

One suggestion to you that would cost the Government very little, add to the tax paying roles and help everyone involved is to revive the old "Tandum Plan". This program administered thru H.U.D. and participating mortgage companies took a current intrest rate and lowered it 2% to qualified customers. One percent was paid by the Government and the other one percent was paid by the builder. It's amazing how many country people can qualify for an 8% loan, but they can't qualify for a 10% loan. This is because jobs in rural areas don't pay as good as in the big towns. A small down payment also made this plan very successful. Here we've "primed the pump" that will continue to produce for a life time. It helped pull us out of the mid-seventies recession.

Another possibility is a modified, strictly enforced 235 type program. It must be managed on the local level, like Farmers Home, and be reviewed on and annual basis too.

Please no grants or give-aways, just a helping start.

Rural insurance rate had gotten out of control and it was a problem, but in Mississippi our Insurance Commissioner has really helped stablize the problem and we are seeing relief in that area.

Rural water associations continue to struggle. In areas that have moderate growth age and deteriation cause them problems. Other areas that are trying to grow at a faster speed have trouble expanding and servicing their current customers due to high costs. This program must be kept up in order to continue to provide safe, sanitary water, at a reasonable price to rural people.

In closing I'd like to thank you for allowing me to share with you some thoughts and views by myself and my fellow builders. We love the country and that's why we live where we do.

(Attachments follow:)

MS AN NO. 176 (1944)
ATTACHMENT B

PROGRAM	ADJUSTED INCOME LIMITS 1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8+PERSON
VERY LOW INCOME	6150	7050	7900	8800	9500	10200	10900	11600
LOWER INCOME	9850	11250	11850	12950	13750	14550	15400	16200
MODERATE INCOME	17000	17000	17150	18450	19250	20050	20900	21700
30 YEAR TERM	5650	6450	7250	8050	8700	9350	9950	10600
VERY LOW INCOME	7300	8300	9350	10400	11250	12050	12900	13750
LOWER INCOME	11650	13300	15000	16650	17700	18750	19750	20800
MODERATE INCOME	17150	19600	20500	22150	23200	24250	25250	26300
30 YEAR TERM	8750	10000	11250	12500	13500	14500	15500	16450
VERY LOW INCOME	6060	6900	7800	8650	9350	10050	10750	11400
LOWER INCOME	9700	11100	12450	13850	14700	15800	16450	17300
MODERATE INCOME	17000	17000	17950	19350	20200	21100	21950	22800
30 YEAR TERM	7250	8300	9350	10400	11200	12050	12850	13700
VERY LOW INCOME	7600	8700	9750	10850	11700	12600	13450	14300
LOWER INCOME	12150	13900	15600	17350	18450	19500	20600	21700
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	26100	27300

TATE Co. MISS

BAILEY MORTGAGE COMPANY
P.O. BOX 490
SOUTHAVEN, MS. 38671

1989 MHFC BOND PROGRAM FACT SHEET

- FHA/VA Fixed rate loans only
- 28 year term
- Interest rate is 8.97%
- Payment Factor (per thousand) 8.1418123
- Total "Participation" fee is 3% (2% discount and 1% origination fee)
- Origination period is 12 months on approximatly half the issue and 15 months on the balance of the issue (specific breakdown to be announced later)
- Sales Price Limitations:

	Targeted Counties	Non- Targeted Counties
New	$ 108,240	$ 88,560
Existing	$ 85,030	$ 69,570

- Income limits based on current annualized income (See attached for limits in each county)
- Each reserver of funds (Builders/Developers/Correspondents) must use 20% of their funds in targeted counties.
- 1% of the loan amount must be put up in advance to reserve funds.
- Applicant must be first time (3 Years) home buyer in non-targeted counties.
- Each individual loan application must be logged in with Angela Christiansen immediately after it is taken.
- Same Affidavits as last program will be used for this program.

EXHIBIT A

SERIES 1989 MAXIMUM PERMISSIBLE FAMILY INCOME LIMITS PER COUNTY

COUNTY	FAMILIES WITH LESS THAN 3 MEMBERS	FAMILIES WITH AT LEAST 3 MEMBERS
Adams	$23,400	$26,910
Alcorn	23,400	26,910
Amite	28,080	32,760
Attala	28,080	32,760
Benton	28,080	32,760
Bolivar	28,080	32,760
Calhoun	23,400	26,910
Carroll	28,080	32,760
Chickasaw	23,400	26,910
Choctaw	28,080	32,760
Claiborne	28,080	32,760
Clarke	24,300	27,945
Clay	24,300	27,945
Coahoma	28,080	32,760
Copiah	28,080	32,760
Covington	28,080	32,760
Desoto	29,300	33,695
Forrest	23,400	26,910
Franklin	28,080	32,760
George	24,100	27,715
Greene	28,080	32,760
Grenada	23,400	26,910
Hancock	25,800	29,670
Harrison	25,800	29,670
Hinds	29,600	34,040
Holmes	28,080	32,760
Humphreys	28,080	32,760
Issaquena	28,080	32,760
Itawamba	23,400	26,910
Jasper	28,080	32,760
Jackson	30,400	34,960
Jefferson	28,080	32,760
Jefferson Davis	28,080	32,760
Jones	24,000	27,600
Kemper	28,080	32,760
Lafayette	24,900	28,635
Lamar	25,600	29,440
Lauderdale	24,900	28,635
Lawrence	28,080	32,760
Leake	28,080	32,760
Lee	26,300	30,245
Leflore	28,080	32,760
Lincoln	23,400	26,910
Lowndes	23,800	27,370
Madison	35,520	41,440
Marion	23,400	26,910

COUNTY	FAMILIES WITH LESS THAN 3 MEMBERS	FAMILIES WITH AT LEAST 3 MEMBERS
Marshall	$28,080	$32,760
Monroe	23,600	27,140
Montgomery	28,080	32,760
Neshoba	23,400	26,910
Newton	23,400	26,910
Noxubee	28,080	32,760
Oktibbeha	23,400	26,910
Panola	28,080	32,760
Pearl River	23,400	26,910
Perry	28,080	32,760
Pike	23,400	26,910
Pontotoc	23,400	26,910
Prentiss	23,400	26,910
Quitman	28,080	32,760
Rankin	29,600	34,040
Scott	23,400	26,910
Sharkey	28,080	32,760
Simpson	23,400	26,910
Smith	23,400	26,910
Stone	24,500	28,175
Sunflower	28,080	32,760
Tallahatchie	28,080	32,760
Tate	28,080	32,760
Tippah	23,400	26,910
Tishomingo	23,900	27,485
Tunica	28,080	32,760
Union	23,400	26,910
Walthall	28,080	32,760
Warren	28,800	33,120
Washington	23,400	26,910
Wayne	28,080	32,760
Webster	23,400	26,910
Wilkinson	28,080	32,760
Winston	28,080	32,760
Yalobusha	28,080	32,760
Yazoo	28,080	32,760

SHARKEY-ISSAQUENA
COMMUNITY CHALLENGE, INC.
P.O. BOX 142
ROLLING FORK, MS. 39159
(601)873-4279(Tele)
July 31, 1989

HISTORY

I was born in a rural area and grew up in a 3 room shack on a plantation 5 ½ miles west of Cleveland, Mississippi. I was born in a povety stricken family of 10. My family were share croppers on a plantation. Our means of survival was chopping and picking cotton; Our only source of food came from growing a garden, raising hogs and chickens. We worked sun up to sun down; then, at the end of the season the Boss Man would say, "You Owe He." There never was any money made to live; the next year, He said, you owe me, we always owed him. My father and brothers would hunt and kill rabbits, possums and squirrel for us to eat. My mother made our clothes out of flour sacks. Inspite of the povety we were rich in Christ. I grew up in a small rural Church that sat in the middle of a cotton field; where we attended regularly each Sunday and recieved our spiritual food. At the age of 3, I began saying speeches and singing solos. We were poor materially; but, rich spiritualiy. My mother would have Bible and prayer service class with us in the home. She often would tell us "Seek ye first the Kingdom of God, and his righteousness; and all these things shall be added unto you." Matt:6:33., We were taught that we could be whoever we wanted to be and could have what ever we wanted to have if we place Jesus first in our lives.

As little children we started dreaming big dreams. All of my life I've wanted to help people. There was always a deep desire in my heart for mankind.

After graduating from high school, at age 16, I went to college and became a Nurse. Some experiences I had during my 20 twenty years of nursing career have remained vivid in my mind and have helped to determine my direction in life. Poignant in my memory are those innumerable and repeated times that doctor's would give Black Adult Patients prescriptions and send them home. Time after time they were brought back overdosed. On three occasions the patient was dead-on-arrival. Each of these tragedies occured because neither the patient, nor any of the family members could read. A seed was planted in my mind that has been nurtured and continued to grow. During those days, I worked out a system of symbols that provided some help to a few of the patients. But I have never been able to rest, knowing that something must be done for the destitute, devastated black adult illiterates throughout our state.

In August , 1979, I became an ordained Missionary and began to hold classes in our little wood frame church; no running water, or bathroom facility; teaching adults to read. I learned that out of 100 parishioners holding hymnal before their eyes only 15 could read. They became my first adult class. I was able to teach many of them how to read the words in the songs and how to read passages in the Bible. They wanted so badly to learn how to read. They had never had access to being taught.

In 1982, I moved to Rolling Fork, Mississippi, teamed up with Issac Ford and Rosie Parks and started a Funeral Home, Continental Funeral Services. Whenever someone died, you would see more family members at one time than any other time in life. Having to counsel with a hundred people was very

difficult because 75% of them could not read including children. I then started teaching adults in the funeral home. The class start growing and it became more than I could personally handle. I recruited some other helpers from the community, and this was still not enough.

On June 5,1985, God gave me a vision, I saw the need for a complete revolution that would break the cycle of povety and illiteracy thoughout the State of Mississippi. I decided to find out what could be done if I pulled together the two neighboring communities to make them aware of the dire need to bring about a revolutionary change in the economic, and illiteracy predicament that was consuming our two counties.

Our survey revealed that our most targetted areas are; Illiteracy, Teen Pregnancy, Alcohol/Drug abuse, Child Abuse/Neglect, Gang rivalry and Early Childhood Education.

On October 8, 1988, we crowded the Sharkey County Courthouse with concerned citizens, Black and White, rich and poor, and presented the following:

* Sharkey-Issaquena Counties are the two most economically deprived counties in the State of Mississippi.
* 36.5% of the 11,000 population is unemployed.
* 61% of the adult population has been identified as illiterate.
* 37% of the high school graduates entering college as freshman need remediation.
* 95% of the pregnancies are teen-age mothers (11 - 17 years old).
* Two thirds of these pregnancies are conceived out of wedlock.
* 27% of the children, K-12 grade, suffer a large degree from child abuse and neglect.
* Only one out of every 25 cases gets reported.

* Rivalry among our Black Youth resulting in gang activity is on the rise.

* Alcohol and Drugs are spreading throughout the counties.

As a result of this coming together, Sharkey-Issaquena Community Challenge, Inc., was conceived and began working towards becoming chartered and beginning the initial work of recruiting and organizing within the community.

In the month of November, 1988 during a regular viewing of the 700 Club, I heard the Rev. Pat Roberson announce that the CBN was donating a million dollars worth of instructional materials to the State of Mississippi. Immediately I called, told them about my literacy endeabors/needs and asked how we could become a recipient of their offerings.

Linda Neithamer contacted me by telephone. Together we arranged for a Literacy Planning Conference to be held in Jackson, Mississippi. A relationship was developed. Many planning conferences followed up.

Our efforts resulted in my hosting the first STATE WIDE CBN Literacy Workshop in the National Guard Armory Building in Rolling Fork, Mississippi, January 28, 1989, I provided a list of 500 names to be invited. CBN prepared the announcements and mailed them out. Over 300 participants from across the State of Mississippi were in attendance.

On February 25, 1989, I hosted a STATE WIDE Teen Pregnancy Prevention Workshop at the National Guard Armory Building in Rolling Fork, Mississippi. There were 239 students and 150 adults in attendance. The audience was made up of State Representatives, Congressmen, State Legislators, Superintendents, Lawyers, Doctors, Nurses, Mayors, Parents, Principals, Teachers, Local State Welfare and Concerned Citizens. Our theme was <u>What Can You Do To Prevent Teen Pregnancy</u>. Dr. Doris Mitchell, our keynote speaker, received standing ovations as she delivered her dynamic speech on Building Self-Esteem.

The afternoon session featured panelists who spoke on, Parents: What Can parents do to prevent teen-pregnancy? Ministers: What can the Church do to prevent teen-pregnancy? Community Leaders: What can the community do to prevent teen-pregnancy? Principal: What can the school do to prevent teen-pregnancy? Students: What can teens themselves so to prevent teen-pregnancy? Some of the student teenagers were parents, some sexually active, some virgins. Each shared their views and how they can prevent teen-pregnancy.

On April 8, 1989, I attend the lower Mississippi Delta Development Commission Regional forum in Jackson, Mississippi; which gave me an opportunity to establish a direct line of communication with the commission. Wilbur Hawkins, and Congressman Mike Espy were most receptive to the critical issues we are facing in the Delta.

On May 10, 1989, Dr. Pamela D. Moore from the Lower Mississippi Delta Development Commission visit our organization and toured our sites; we expressed our needs and aspitations to her. We have the wholeheartly support of the Governor and First Lady, Ray and Julie Mabus. Even before getting to know us, his office, through Karl Haigler, Special Advisor provided our Literacy efforts with start up funds.

We have had several visitors from the Governor's Office that came to see if what they had heard was happening in Sharkey-Issaquena Counties ~~for~~ Waswas real. They discovered that everything and more than they have heard was in place and functioning.

For the first time in History, the citizens living in Sharkey and Issaquena Counties have rallied and are working together for a common couse.

Presently we have: (9 reading clinics) (3 teen pregnancy prevention classes)
(2 drop out classes 16-21) (child abuse/neglect counsel center)
(alcohol/drug abuse classes) (gang rivalry prevention classes)
(summer youth project providing recreation as alternative)
(289 youth and 61 parents participating .)

Governor Ray Mabus signed Certificates of participation for the youth and parents.

(** represents Teacher of class)

(1)	Rolling Fork Court House Mon. Wed. Fri.	Jail Literacy 1 pm - 3 pm	4 inmates - 12 Stds. **Bobbie Robinson
(2)	Sharkey-Issaquena Mental Hlth. Mon. Thurs. Fri.	Rolling Fork 1:30pm - 2:30pm	11 students **Alice Sumner
(3)	Mayersville City Hall-West Wing Mon. Tues. Thurs.	Mayersville 4pm - 6pm	13 students **Emma Smith
(4)	Continental Funeral Home Mon. Wed. Fri	Rolling Fork 6pm - 8pm	5 students **Rosie Parks
(5)	Fitler Community Center Mon. Wed. Fri.	Fitler, MS	10 students **A. Fields
(6)	Shelby Manufacturing Inc. Mon. Wed. Fri.	Industry	10 students **Hattie Lewis
(7)	Cary Christian Health Center Mon. Wed. Fri.	Cary, MS	10 students **Vera Brock
(8)	Ark of the New Covenant Church Mon. Thurs.	Mayersville	15 students **Audrey Carlisle
(9)	Delta Elastic Plant 3 shifts - 30 minutes each week - on-the-job time Parent Class designed to teach their children basic skills - 7am - 3pm 60 students - 3pm - 12am 40 students 12am -7am 20 students	Rolling Fork	120 students **Teacher in Charge

3 Teen Pregnancy Prevention Classes

(1)	Anguilla School District Tue. Thurs.	11 - 19 years 3:30pm - 4:30pm	19 students **Lilia Ware
(2)	S-I School District Mon. Wed.	11 - 19 years 3:30pm - 4:30pm	21 students **Patricia Marshall
(3)	Mayersville Ark of Covenant Church Tues. Thurs.	13 - 19 years 6pm - 8pm	15 students **Marie Hite

1 Drop-Out Class

Sharkey County Drop Out Class Mon. Wed. Fri.	16 - 21 years	23 students **Larry Thomas

SUMMER YOUTH PROJECT

Albert V. Miller Memorial Park — 289 youth

Teams play softball, volley ball, baseball Soccer, Tennis, T-ball — 61 adults

Counseling - Alcohol, Drugs, Gang Prevention
Three times a week.

As these projects began to take shape, I knew that professional help was needed to give our efforts substance and direction. I began calling frantically all over the country. One day in March, 1989, I reached the national office of The United Way in Washington, D.C., After telling my story, I was informed "There is a Black Woman named Carrie Haynes, who was born in Memphis, Tenn. and now live in Los Angeles, Calif. She travels around the country training people to use The Self Enhancing Literacy Fundamentals and The Enhancer Newspaper. I have her address in Los Angeles, California, but you may be able to get her phone number from Mrs. Christy Bulkeley at the Gannett Foundation, Inc.," I called and was given her telephone number. It was another month before I reached her. But, when I did, her comment to me was, "You sound just like the person I have been looking to find for the past several years."

She came and I poured out our needs on our way home from the airport, she exclaimed, "You know, you have Karl Haigler here in charge of Literacy. He is just the man with whom we should get in touch." The next morning, she did.

This is her fourth trip here. She has provided us with guidance and training in abundance.

We are looking forward to making Sharkey and Issaquena counties a demonstration model, making literacy become a way of life in each family unit.

Annie Brown

(Attachment follows:)

SHARKEY-ISSAQUENA
COMMUNITY CHALLENGE, INC.

Invites you to be a part of

OUR CHALLENGE

TO

1. eradicate teen pregnancy
2. bring about full literacy
3. prevent gang activity
4. stop alcohol and drug abuse
5. protect our children from neglect and child abuse
6. establish an Early Childhood Development Center for the working parent and teen parents.

What can you do to help?

What can you do to get help?

Call Sharkey-Issaquena Community Challenge, Inc.
Phone 873-4279 Annie Brown, Exec. Director
Post Office Box 142, Rolling Fork, MS 39159

Sharkey-Issaquena Community
CHALLENGE

The Southern Group Inc. 1306 E. Edwards Ave. – P. O. Box 1668 – Tunica, Mississippi 38676 – Ph. 601-363-1380

TESTIMONY OF PEGGIE HENDERSON

THE SOUTHERN GROUP, INC.

TUNICA, MISSISSIPPI

SMALL AND MINORITY BUSINESS

THE SOUTHERN GROUP IS A COMPANY LOCATED IN THE NORTH END OF THE STATE IN TUNICA, MS. WE ARE CONTRACT PACKAGERS AND MANUFACTURERS OF HOUSEHOLD AND INDUSTRIAL CLEANING CHEMICALS. THE COMPANY WAS CONCEIVED IN JANUARY 1987. MOTIVATED BY A DESIRE TO CREATE JOBS IN THE TUNICA AREA.

BEING A MINORITY BUSINESS HAS ADVANTAGES AND DISADVANTAGES. THE DISADVANTAGE ARE:

1. UNDER CAPITALIZATION
   A. UNABLE TO SECURE FINANCING
   B. NOT ENOUGH COLLATERAL
2. THE LACK OF ADEQUATELY TRAINED PERSONNEL
3. DIFFICULTY IN PROCUREMENTS

THOSE ARE JUST A FEW OF THE DISADVANTAGES, I PREFER TO ELABORATE ON THE POSITIVE AREA OF DOING BUSINESS AS A MINORITY FIRM.

1. UNLIMITED OPPORTUNITY WITH MAJOR CORPORATIONS
2. UNLIMITED OPPORTUNITY WITH THE FEDERAL GOVERNMENT

IN REFERENCE TO THE MAJOR CORPORATIONS YOU MUST BE PREPARED. IN OTHER WORDS YOU HAVE TO DO EXTENSIVE RESEARCH IN THE NEED OF PRODUCT OR SERVICES. YOU MUST BE A QUALIFIED SUPPLIER. PRICES MUST BE COMPETITIVE. IN SOME INSTANCES, MAJOR CORPORATIONS ARE LOOKING FOR COMPANIES WITH MINORITY STATUS. THE NEXT STEP IS TO SEEK ADEQUATE FUNDING THROUGH VARIOUS PROFIT

The Southern Group Inc. *1306 E. Edwards Ave. – P. O. Box 1668 – Tunica, Mississippi 38676 – Ph. 601-363-1380*

AND NON-PROFIT SOURCES. ALWAYS GET MORE THAN YOU NEED BASED ON PROJECTION. FUNDING SOURCES SUCH AS ECONOMIC DEVELOPMENT AGENCY HAVE MEDIUM REQUIREMENT FOR FUNDING. A START-UP BUSINESS CAN UTILIZE A COMBINATION OF FUNDING SOURCES THROUGH ECONOMIC DEVELOPMENT.

IN REFERENCE TO OUR COMPANY WE USED THE NORTH DELTA PLANNING AND DEVELOPMENT AND THE ECONOMIC DEVELOPMENT LOAN GUARANTY PROGRAM ALONG WITH OUR LOCAL BANKS AND PRIVATE INVESTMENTS. BECAUSE OF OUR QUALITY PRODUCTION SYSTEMS WE WERE ABLE TO OBTAIN PACKAGING CONTRACTS WITH FEDERATED FOOD, FLEMING FOOD, MALONE & HYDE, AND OTHER MAJOR CONCERNS. ALSO BECAUSE OF QUALITY PRODUCT AND QUALIATY LABEL DESIGNS OUR PRODUCT IS IN FREDS STORES, PIGGLY WIGGLY, KROGERS, AND NUMEROUS INDEPENDENT STORES. LIKE ANY OTHER BUSINESS, LARGE OR SMALL, MINORITY OR NON-MINORITY, YOU MUST BE DEDICATED AND COMMITTED TO MAKE IT WORK AGAINST ALL ODDS. YOU MUST HAVE A DREAM, A VISION, A PLAN, AND COURAGE TO WORK THAT PLAN.

The Federation of Southern Cooperatives/
Land Assistance Fund

Rural Training and Research Center
Post Office Box 95
Epes, Alabama 35460

TELEPHONE (205) 652-9676

RALPH PAIGE
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AT LARGE

Alvarez Ferrouillet
AT LARGE

Public Relations
and
Fund Raising Office
100 Edgewood Ave., NE
Suite 1228
Atlanta, GA 30303
404 / 524-6882

Statement to:

Subcommittee on Conservation, Credit
and Rural Development
Committee on Agriculture
U.S. House of Representatives

Field Hearing
Clarksdale Civic Center
Clarksdale, Mississippi
August 7, 1989

Statement by:

Ben Burkett
State Coordinator
Mississippi Association of Co-ops
Federation of Southern Cooperatives/
Land Assistance Fund
P. O. Box 22786
233 Hamilton Street
Jackson, Mississippi 39202

Phone - 601/354-2750

CELEBRATING 20 YEARS
IN
RURAL COOPERATIVE DEVELOPMENT

I am Ben Burkett,

State Coordinator of the Mississippi
Association of Cooperatives,
the Mississippi affiliate of the
Federation of Southern Cooperatives/
Land Assistance Fund

In Mississippi, we work with a dozen self-help rural cooperative and credit union groups, involving over 3,500 low income families across the state. The Federation/LAF works with over 25,000 low income families, organized into 100 self-help community based groups across the South.

About half of the Federation/LAF's membership are primarily black farm families owning an average of under 100 acres of land each. The remainder of our membership are low income rural residents who are generally employed in low wage or seasonal jobs in small towns and rural communities.

For more than two decades, since 1967, the Federation of Southern Cooperatives has worked at the grassroots level in rural communities around the South. Through community based cooperative economic development efforts, the Federation and its member cooperatives and credit unions have worked to generate new income, jobs, services, training, awareness and a spirit of self-help and change for many low income and economically exploited people in some of the most depressed and persistently poverty-stricken rural counties in America.

The Federation is dedicated to the cooperative principles and operating philosophy as the best means to insure that poor and minority people will share in the economic system and receive

an equitable portion of the ownership of resources and distribution of economic benefits of our society. Cooperatives, with technical and financial support from public and private sources, are a flexible development tool to allow poor people through democratic participation and mutual aid to build economic power, political influence and social stability. The Federation has assisted many local grassroots rural groups to use the cooperative structure to build new self-help institutions to share economic power and political progress in their local communities.

The Federation, working with low income people and through their own self-help organizations, seeks to deal with rural poverty in a regional comprehensive and coordinated approach. We see some of the problems of rural people: substandard housing, low literacy rate, unemployment and under-employment, idle land holdings, poor health care, hunger and malnutrition, as potential opportunities for the development of self-help strategies to change and correct these situations. Cooperatives which make productive use of land, grow food, rehabilitate and construct new housing, develop jobs and teach people new skills, are creative people oriented mechanisms, which help grassroots people to find solutions to their own problems. The cooperative movement teaches people to replace despair and depression with hope and positive accomplishments.

The current economic crisis in agriculture and rural America is accentuated for black, minority and limited resource farmers who have for years been struggling to make a subsistence income

on the edge of poverty. For black farmers in the rural South, there has been a "continuing crisis" for the past 50 years. Black farmers have faced not only the general decline in the farm economy, but also neglect, racial discrimination and economic exploitation. Black farm ownership and farm population has declined steadily and at a more rapid rate than for white farmers for most of this century. In 1910 there were over a million black farmers owning 15 million acres, while in 1980 there were less than 100,000 black farmers owning less than 7 million acres. Black farmers are still loosing land at an astounding rate of 1,000 acres per day or 350,000 acres per year.

In the face of these grave and continuing problems the Federation/LAF has been effective in finding self-help solutions to these problems. With limited resources and support from foundations, church denominations and concerned individuals the Federation has fashioned some creative responses to these difficult problems of rural community development.

Among the successful efforts of the Federation/LAF over the past few years have been:

a. established a network of volunteer community contacts across the South who can assist landowners with problems of retaining their land and can contact the Federation/LAF state and regional staff for specialized technical assistance and referrals

b. conducted several hundred community level workshops and informational sessions to assist farmers and landholders in understanding the methods and programs, including Federal USDA policies and regulations, to help them retain, maintain and develop their landholdings

c. assisted over 1000 family farmers to apply for FmHA loan restructuring under the new programs of the 1987 Agricultural Credit Act

d. assisted many family farmers and other rural people to organize and sustain cooperatives and credit unions as a means to work collectively to purchase, market and share farming resources; existing cooperatives were aided and new cooperatives were established

e. continued development of the Federation/LAF Rural Training Center, near Epes, Alabama, as a central resource for cooperative development in the rural South

f. developed marketing outlets for farmers to market their produce directly to consumers in New Orleans, Memphis, Birmingham, Atlanta, Philadelphia and Chicago, through inner city churches and other community centers

g. developed plans for processing facilities to further strengthen marketing and distribution of cooperative production; among these plans are: a meat processing plant; pickle processing plant; wood processing company for pallets and boxes and other similar projects

h. advocating for policy changes at the Federal, state and local level which will facilitate the growth and development of family farmers, especially minority farmers and rural communities

The Federation/LAF recommends that any comprehensive rural community economic development legislation enacted by Congress contain the following provisions:

1. Legislation for a "Minority/Disadvantaged Farmers Rights Act" to protect the landholdings of black and other minority farmers across the nation. The Federation/LAF has developed a draft of this legislation which recognizes the importance and benefit to the nation of racial and ethnic diversity in the ownership of our farm-land; and the value of cultural diversity and pluralism in the composition of our family farm population. A major goal of this legislation is to maintain, increase and perpetuate this diversity and pluralism in ownership of our farmlands.

We are urging Congress to consider adding these provisions as a title of the "1990 Farm Bill" or incorporating them into your Rural Development legislation. A copy of the details of this legislative proposal is available from the Federation/LAF.

2. Support for a massive outreach and education effort to reach and serve minority limited resource and family-sized farmers with information to assist them remain in farming and help develop rural community.

The Federation/LAF and some of the 1890 Historically Black Land Grant Colleges have shared in an FmHA/USDA initiative called the "Small Farms Technical Assistance Project". This $1 million per year effort needs to be increased to at least $5 million annually, with funding for the 1890 HBLGColleges but also community-based groups, like the Federation/LAF, who are in direct contact with minority and limited resource family farmers.

In Georgia, the Federation/LAF with a $100,000 grant from the "Small Farms Technical Assistance Project" provided hands-on help to over 600 farm families including organizing 3 new cooperatives. The Mississippi Association of Co-ops worked with Alcorn on its project but could have done more in Mississippi with a statewide grant to respond to the needs of all farmers who contacted us for help.

3. Greater support for direct marketing efforts of family farmers selling to consumers, inner city groups and other direct markets. With church support the Federation/ LAF sold directly to consumers in several cities, i.e., New Orleans, Birmingham, Atlanta, Memphis, Chicago and Philadelphia. With more funding and support similar to "export enhancement" assistance farmers groups could be supported in marketing directly to consumers.

4. More loan and equity investment funds, at reasonable interest rates, are needed to support cooperative and community development projects. Capital and development purposes, especially for community based projects, is in short supply in rural depressed communities. More loan funds, land banks to buy and hold land for family sized farmers, community development credit union funds and others are needed to assist in financing community self-help projects to improve the lives and livelihoods of rural people and communities.

5. Provide for set asides in any rural development legislation creating special rural development loan funds to serve low income, minority-owned and community based projects. Since community based projects are the most difficult to finance, but often pay the largest dividends

in terms of rural employment, a set aside of 20% of the funds should be reserved for these type of projects developed by community based groups.

The legislation should also provide for reduced interest rates and matching requirements for projects in counties and communities with large concentrations of low income and minority people. The Senate bill provides for reduced matching requirements in counties with 70% of the national median income. Similar and cumulative reductions should apply if the rural county or communities are more than 30% minority, have high unemployment rates and other factors. Projects which are community based and serve low income and minority rural communities should have the highest priority for funding the lowest cost of capital and the highest level of incentives for development, since they have been neglected for the longest time.

The Federation of Southern Cooperatives/Land Assistance Fund is prepared to provide additional information and details on our recommendations and concepts. We will provide this additional information upon request.

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CLANTON BEAMON, EXECUTIVE DIRECTOR
INDIANOLA, MISS.

Statement of Clanton Beamon, Executive Director
or, Delta housing Development Corporation
To The Agriculture Subcommittee on Conservation,
Credit and Rural Development

Mr. Chairman, My name is Clanton Beamon and I am the Executive Director of Delta Housing Development Corporation (DHDC) located in Indianola, Sunflower County, Mississippi. DHDC is a private non-profit that was created in 1971 with the intent to provide long range housing delivery to economically disadvantaged individuals and communities, particularly in the Delta.

I also serve on the Board of Directors and Executive Committee of the National Rural Housing Coalition (NRHC) which has its office in Washington, D.C. NRHC is the only national membership organization which lobbies on behalf of rural low income housing programs.

I am also an elected official of Sunflower County. I serve as County Supervisor of District 2.

I guess the first thing I would like to address in my statement relates to my position as County Supervisor. During the last three months I have been working with a group of constituents in my supervisory district that's in a desperate need of clean and affordable water for residential consumption. The group consists of approximately seventeen families, a majority of which are elderly with fixed incomes.

We have requested Mr. Larry Farmer, Executive Director of Mississippi Action for Community Education (MACE) to present a petition from these constituents to this subcommittee. We know this situation exists throughout rural America.

While my testimony is to deal primarily with housing, we must realize that there is a direct relationship between housing, water/sewer and credit as it relates to rural development.

We must realize the importance of the U.S. Department of Agriculture, Farmers Home Administration (FmHA) to rural America, especially the financing role it has played since it's authorization by the Congress.

FmHA administers loans, grants and related assistance for housing for low income rural people and their communities. However, the presidents fiscal year 1990 budget proposes to replace some $2 billion in rural housing lending and related assistance with $100 million in rural rental housing loans, $360 million in vouchers and less than $50 million in grant assistance.

Slated for elimination are programs for low income families living in bad housing: loans for home ownership, self-help technical assistance grants, low income repair loans, farm labor loans and rural rental assistance program which aids very low income households living in rural rental housing. Loans for rural rental housing will be reduced by over 80% of the proposed budget.

In Fiscal Year 1990 some 10,000 rental assistance contracts will expire. FmHA will be forced to use 50% of the vouchers available to continue existing commitments. In addition, close to 4,000 vouchers will be needed to implement the preservation provisions of the '87 Housing Act. If the administration's plan is approved, the number of new families assisted by FmHA will drop from 55,000 in FY '89 to 6,000 in FY '90.

We must be concerned about the vouchers that are being proposed in rural communities. According to the Congressional Research Services, 38% of the nation's bad housing is in rural areas. Rural rental housing is twice as likely to be substandard as rental housing in big cities. Without stock of adequate rental housing units in rural areas, vouchers will not work.

The bulk of FmHA funding is in the form of subsidized loans. Some $1.27 billion is provided for single family loans under Section 502. Close to 90% of 502 loans are in rural areas with populations of less than 10,000. The average annual income of Section 502 borrowers is about $13,500 and the law requires that 40% of Section 502 mortgage aid go to very low income households (50% of median).

Under the Section 515 loan program, $555 million is appropriated for Fy '89, providing reduced interest loans to construction and repair of multi-family housing for low income and elderly households. The average annual income of Section 515 tenants is about $8,000. About 40% of all section 515 units are occupied by elderly households.

The Section 515 program is also an important resource for preservation of existing rural rental housing. The 1987 Housing Act authorized the use of rural rental housing funds to finance equity loans and the purchase of projects by non-profits or public bodies.

Prior to the passage of the '87 legislation, some 150,000 rural rental housing units were subject to prepayment and conversion to other than low income use at any time. The legislation prohibits prepayment and requires owners to apply for incentives -- such as an equity loan -- or to offer the project for sale to a non-profit or public body. However, this prohibition is waived in the event that Congress does not appropriate funds for the Section 515 program.

Program Performance

Virtually all FmHA housing assistance is limited to low income households -- those with incomes at or below 80% of the area median income. In Fiscal '88 the majority of FmHA assistance went to very low income households -- those with incomes which do not exceed 50% of median income.

FmHA reports indicated that some 50,000 units were financed by Section 502 (home ownership loans), 504 (loans and grants) 514/516 (farm labor housing loans and grants) and 515 (rural rental housing loans). Of this number, 54.6% went to very low income families. In addition, virtually all units

produced under housing preservation grants and rural rental assistance go to very low income families. In FY '88, close to two thirds of FmHA assistance went to households with incomes below 50% of median income.

Despite serving poor households, the FmHA program has been remarkably successful in protecting the government's interest. The default rate on rural housing loan programs is about 1%. The 90 day delinquency rate in rural housing loans is 1.5%. Since its inception, some 2 million economically disadvantaged families have gained decent housing through FmHA housing assistance.

During the period between 1970 and 1980 the incidence of substandard housing in rural America dropped by 42%. It is not a coincidence that this drop in bad rural housing occurred as federal rural housing loans and related assistance programs were on the rise. Termination of these programs means and end to the progress made in solving the rural housing problem.

Rural Housing Need

The farm crisis has exacerbated the lack of credit in rural areas. Agricultural banks, those with at least 17.5% of their loans to agriculture, constitute about 55% of all banks but accounted for more than half of the bank failures in 1984.

Saving and loan institutions (S&Ls) play a less prominent role in rural areas than in big cities. Only 44.8% of non-metro counties had S&Ls headquartered within the county. And non-metro lending institutions are less likely to use federal secondary markets than those located in metro areas.

In rural America, subsidized credit is absolutely essential to improving housing for the poor. The high incidence of substandard housing as measured by lack of complete plumbing, lack of adequate drinking water, inadequate heat and inadequate waste disposal facilities makes a production and repair program such as that administered by FmHA, essential.

According to the National Housing Task Force, some 4.3 million low income households in non-metropolitan areas currently experience housing problems.

Of this number close to two million have significant problems with the units themselves, including a lack of plumbing.

Low paying jobs and the seasonal nature of work, when coupled with the downturn in natural resource based economies important to rural America, have prevented our small towns from participating in the recent improvement in the nation's economy. Non-metropolitan areas now have a higher rate of poverty and unemployment than our big cities.

The non-metro poverty rate is 18.3%. There are currently over 200 non-metro counties with poverty rates above 20% and substandard housing rates above 10%. Close to 30% (679) of the nation's non-metro counties have poverty rates of 20% or higher.

Selected Housing Characteristics for Rural Areas

	Units	% Rural
Units lacking complete plumbing	1,449,767	65
Units lacking adequate drinking water	2,789,225	95
Units lacking adequate heat	6,179,102	65

Source: 1980 Census

Rural Housing Production

There is a continuing gap between the demand and the supply of rural housing units for all buyers. The Congressional Research Service estimated that annual housing requirements in rural areas from 1986 to 1990 were 625,000 units, while the supply of units was estimated to be 550,000 units.

Demand for Funds

The shortfall in rural housing production is reflected in the high level of demand for FmHA funding. As of January 31, 1989, FmHA has almost $1.5 billion worth of apporval Section 515 rural rental housing applications; this is almost three times the amount of funding available in Fiscal '89.

In Fiscal '88, FmHA received some 145,000 applications for Section 502 home ownership loans. Of this number, only about 35,000 received assistance; only one low income family in three applying for assistance received a loan in Fy '88

At the current rate of funding for rural housing assistance, sponsors of low income housing and low income households can expect to wait about three years to receive a loan. Further reductions in funding will only extend that wait.

Recommendations

In view of the need for rural housing loans and grants and the backlog of demand for assistance, NRHC recommends that the Rural Housing Insurance Fund (RHIF) be increased by $1 billion. Of this amount, $400 million should be provided for Section 502, $400 million should be provided for section 515, and $200 million should be provided for rural rental assistance. In addition, we urge that $150 million be added to grant programs for self-help housing, farm labor housing and preservation grants and grants for home repair.

Mr. Chairman, thank you for your past support and your attention to our statement.

Clinton Beamon

Signature of Clanton Beamon

9/7/89

Date

STATEMENT OF MISSISSIPPI POWER COMPANY
BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION,
CREDIT AND RURAL DEVELOPMENT
FIELD HEARING
CLARKSDALE, MISSISSIPPI
AUGUST 7, 1989

Mr. Chairman:

My name is Ed Blakeslee, I am Vice-president of Marketing for Mississippi Power Company ("Mississippi Power"). It is an honor and a pleasure to submit testimony to the Subcommittee as it considers the issue of how best to promote rural economic development in America. As an investor-owned utility that touches the lives of about 132,000 rural citizens, Mississippi Power has a long and productive history of promoting economic growth in the small towns and farming areas we serve. That history helps us appreciate the complexities of putting into place programs to sever the root causes of rural economic distress. We realize, moreover, that the Subcommittee and the Congress can and will consider a variety of innovative approaches to rural development.

Our message to the Subcommittee, therefore, is simple. Mississippi Power Company, and investor-owned utilities across the country, are prepared to lend support to any program that the House of Representatives may develop. In return, we ask only that the Congress consider taking advantage of our resources and expertise in the rural areas in which we serve.

Our interest in rural development is based on a simple fact. Our future as a company depends on the well-being of the areas we serve and in which our families live. Also, without economic

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growth in rural Mississippi, the overall state economy can never be completely healthy. In what follows, we would like the Subcommittee to know about actions Mississippi Power Company has already taken to address problems in rural areas. We believe that many of our activities are among those that should be encouraged in any rural economic development proposal.

Community and Leadership Development

Most workers in the field of rural development have recognized the need to develop human resources and, in particular, leadership skills among those in communities which are seeking new opportunities. For the benefit of all those we serve, Mississippi Power is conducting leadership training in our service areas to develop active, informed, and committed community leaders. This effort includes providing information for community leaders on the basics of economic development and industrial recruiting. For instance, our development experts recently helped the cities of Richton (pop. 1210) and Heidelberg (pop. 1270) organize a local economic development group.

These efforts are only the first step in helping rural areas to become economically self sufficient. Once these and other communities have laid the groundwork for attracting new businesses and industries, they must also be prepared to improve local services and educational opportunities. Therefore, Mississippi Power has reached out to school systems by providing advanced managerial training to school superintendents and administrators. In fact, a

program has been implemented which has taught more than 100 educators teamwork and decision making skills. Mississippi Power has planned and conducted a symposium attracting over 600 business and education leaders to stimulate the exchange of ideas on how to improve education. As a result of the program's initial success, the symposium is now scheduled to be held as an annual event.

Job Creation

Young people in underdeveloped rural areas are the key to a more prosperous future and we must make sure they will not be forced to flee to urban areas to find good jobs and adequate services. Therefore, in attempting to increase the job opportunities in rural areas, we have made efforts to recruit new industries and support those already in existence. For example, eight new plants have been placed in small towns in our service territory, while three others have announced plans to locate in our rural areas. A special area development energy rate has been created to attract new industry and help large customers expand their operations.

In addition, Mississippi Power is experimenting with a speculative building program. Under this program an industrial building is constructed in cooperation with a particular county and then used to attract new industries to completed and well-planned business sites. Once new industries are in our area, Mississippi Power is a leader in providing technical training courses and other engineering support for industrial customers. Our Marketing

Department teaches plant personnel about maintenance, safety, and energy efficiency to insure that plants stay competitive and thus stay in our communities. We also assist customers in selecting and properly sizing heating/cooling equipment and other large electrical devices. Mississippi Power has also helped customers with productivity improvement, quality assurance, and market analysis for their products as part of our customer support package.

Downtown Revitalization

Many small towns in America have watched helplessly as shops and businesses have abandoned once vital downtown areas. Mississippi Power has taken the initiative in encouraging commercial redevelopment in towns of all sizes. A "Downtown Development" program has been established to provide financial incentives to businesses willing to locate in vacant space in downtown areas. In our service area, forty-five of the fifty towns that qualify for this assistance have populations of less than 20,000. We are active in encouraging commercial development in the service areas of towns of all sizes.

Conclusion

Mississippi Power Company serves approximately 53,000 rural customers in southeast Mississippi or about 132,000 rural citizens. Rural customers are 36% of the total customer base for Mississippi Power which makes rural development a common goal for the Company and its customers.

All of the existing development programs and services provided by Mississippi Power are available to our rural customers and are being used extensively. These programs include technical assistance, community development, and economic development. Through these programs, the Mississippi Power Company Marketing, Economic Development, and Community Development units work together toward the common goal of fostering healthy and long-term economic growth in southeast Mississippi.

As a company that is committed through deeds and actions to rural development, we encourage this Subcommittee to consider ways in which we and the over one hundred and fifty other investor-owned utility companies can help in your efforts to improve the quality of life in rural areas.

RC&D

ASCENSION • ASSUMPTION • EAST BATON ROUGE
IBERVILLE • LIVINGSTON • POINTE COUPEE • ST. HELENA
ST. TAMMANY • TANGIPAHOA • WEST BATON ROUGE

CAPITAL RESOURCE CONSERVATION & DEVELOPMENT COUNCIL, INC.
2191 B Tower Dr. • P. O. Box 1296 • Denham Springs, LA 70727-1296 • (504) 389-0730

DATE: August 17, 1989

TO: Record of Congressman English
Rural Development Public Hearing

FROM: Clarke Gernon, Chairman
Capital RC&D Council, Inc.

The Capital Resource Conservation & Development Council, Inc. is an incorporated, non-profit organization whose basic mission is that of economic development, utilizing our area's natural and human resources in 13 parishes in Southeast Louisiana.

The Resource Conservation and Development program is a USDA program administered by the Soil Conservation Service but the heart of our program is our 60 member volunteer Council. These 60 local citizens, who believe one person can make a difference, are working together to make things happen for Southeast Louisiana.

Our grass-roots organization wants to help people help themselves, and has designed a local program with that philosophy in mind. Considering our many problems in the area: high unemployment (10.5, August 1989); low per capita income; polluted streams; lack of capital investment for small business; high rate of poverty and illiteracy; declining infrastructure and dependence on oil and gas revenue, the Council identified 5 areas of priority work that would be addressed in their long range plans. These objectives are:

1. To promote agriculture diversification, develop markets and create business development opportunities.
2. To increase recreation development, promote the tourism industry and create business development opportunities.
3. To promote the installation of proper waste disposal systems to improve water quality.

4. To provide educational and job opportunities for youth in the field of natural resource conservation.
5. To promote forest product utilization, develop markets, and create business development opportunities.

The Capital RC&D Council utilizes ad hoc work teams to identify specific projects that need to be implemented to accomplish our five objectives. These work teams are composed of a cross section of local citizens and experts in their field. Once projects have been identified and goals and strategies developed, the projects are planned, funds secured, and the projects are implemented under the leadership of a Council member, assisted by ad hoc work team members.

The basis of ad hoc work team formation is to bring together those individuals, agencies, and organization representatives who have an interest, legislative authority, or similar objectives, to combine forces and work together.

Three specific goals we have established to address our objectives are:

1. To establish, fund and operate a Rural Development Center for our 13 Parish area to stimulate rural based businesses.
2. To establish and operate a 13 Parish Tourism Commission to enhance the tourism industry in our area.
3. To develop the Pine Straw industry in Louisiana and our area to utilize an abundant resource and create jobs.

Each of these projects, and the ones we propose, are Rural Development projects. We would be pleased to share with anyone our approach used to plan these projects, however, these projects are not completed at this time.

The RC&D program can, and has, served as a vehicle to rally interested individuals, agencies, and organizations to focus their efforts on projects by taking the grass-roots leadership role in organizing the group.

The RC&D program as a USDA program has the federal contacts as well as the grass-root, non-profit, incorporated [501(c)3], tax-exempt organization to secure project funding.

We feel the program format (federal/local) is the approach that should be used to address local issues. All positive change starts from the bottom, works up, and addresses the issues that are important to the local people.

We offer the following recommendations:

1. The RC&D program should exist in all rural areas. Through the creation and funding of additional RC&D areas the coordinated effort the program makes available allows those people who want to help themselves to do so through the program.

2. Economically depressed areas, such as those which have been defined in the Lower Mississippi Delta Development Act, should be targeted by USDA and other federal agencies for accelerated technical and financial assistance. The findings and recommendations of the Lower Mississippi Delta Development Commission Report to Congress in July of 1990 should be implemented.

While we don't know what the Commission finding and recommendations will be, we anticipate their findings and recommendations to be applicable in our area. If there is a genuine concern by Congress to revitalize rural America, they should be prepared to do more than just talk about it.

We appreciate the opportunity to enter our comments in the Record of Congressman English's Rural Development Hearings.

CG:bw

FOOD FOR PEACE

P.O. Box 66082 Washington, D.C. 20035-6082

August 7, 1989

Testimony of: Fred Huenefeld, Bankruptcy Trustee, Monroe, Louisiana
Wayne Johnston, farmer, Blue Ridge, Mississippi

Honorable Members of the House Agricultural Committee,
Subcommittee on Credit, Conservation and Rural Development:

Food for Peace, an aliance of farmers and eaters of which I am a participant, is calling for a reversal in current US farm policy which is at the present time condemning millions of people world-wide to death by starvation. It is the responsibility of the House Agriculture Committee to respond to the spectre of food shortages with a Marshall plan style aid effort for the countries of the developing sector as well as the East Bloc. Failure to do so will soon create super-power clashes which will lead to World War III. The committee must not be guided by the propaganda of surpluses and the need for austerity masked by the window dressing of phony rural revival projects. It must face reality and MOBILIZE TO PRODUCE MORE FOOD. Too much is at stake!!!

The House Agricultural Subcommittee on Conservation, Credit, and Rural Development should take note that the revival of rural America can only occur through the committment to direct credit flows back into agriculture and agricultural infrastructure. This hearing is sponsoring the opposite and very dangerous view. It is the mistaken opinion of some lawmakers, enforced by various think tanks and media, that resources and population have to be eliminated from rural America due to budgetary constraints. On the contrary, only through reviving the agricultural and industrial tax base through such measures as a plentiful, low interest credit policy and a parity price can the budget deficit be corrected.

The contrary policy course now advocated by the cartels and their spokesmen in government is a concentration of food porduction in the hands of large agribusinesses and collectives employing serf-like labor with vast tracts of currently farmed land turned into wilderness playgrounds for the jet set. The consequences of this policy can be seen in the growing food shortages. Notable are the lack of dairy surpluses in the CCC stocks of powdered milk, cheese and low reserves of butter. Secondly, our grain production, including wheat, corn and soybeans is suffering from the effects of a two year drought cycle. The soybean shortage is so acute that the cartels are stockpiling for their favored customers. The pattern must quickly be reversed of allowing productive land to lie fallow to become a breeeding ground for insects, and of imposing anti-production environmental policies on farmers and low-input farming practices which will turn productive land into dust bowls.

Instead, we must nationalize the Federal Reserve, establish a two tiered credit policy which favors productive projects with low interest rates and tax incentives while penalizing speculation, and revive the needed water, power and transportation projects which will make our rural economy more productive. We must rapidly increase yields to meet the growing world-wide demands for our food. This food should never be produced without paying our farmers a parity price. There must be a suspension of all debt and so- called "restructuring" policies which are in fact liquidating thousands of our independent family farmers, the foundation of our nation's food security.

Thank You

Charles J. Law, Jr.
Executive Director

SOUTHEASTERN EDUCATIONAL IMPROVEMENT LABORATORY
Research Triangle Park, North Carolina

This statement is presented to the Subcommittee on Conservation Credit and Rural Development on behalf of the many small rural communities in the Southeast and the Southeastern Educational Improvement Laboratory where I serve as Executive Director. We are one of the nine regional laboratories created by the Congress to improve elementary and secondary education through the application of the latest in research and practice. We are located in the Research Triangle Park in North Carolina and work in Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina.

No one needs to describe the rural situation to members of this subcommittee. Your own statistical information plus your experience have brought you to the recognition that something must be done or rural America, its people, its values, and its promise may well become a thing of the past. Our own data, gathered through extensive work with both state and local decision makers in our six states over the last three and one-half years has convinced our Board of Directors that one of the greatest needs of the region is the empowering of local communities to reassume control of their educational, economic, and cultural destinies.

The basic strategy of the Southeast Lab is to work with local schools or school districts through their respective state education agency (SEA) to determine their strengths and weaknesses. We then help them develop an educational improvement plan built upon local resources (human and otherwise), rather than looking to the state capital or Washington for all the assistance they need. This strategy does not suggest that additional funds are not needed from both these sources. It does suggest, however, that unless the natural strengths of a community are utilized and built upon, then funds alone will not provide the improvements sought. We find that when local citizens "own" their educational problems and their solutions, improvements are likely to be long-lasting.

For the past three years, using rural education funds provided to the regional laboratories by the Congress, we have done such things as (1) help Chiefland Elementary School in Florida install a health clinic and hire a health aide in an attempt to reduce days lost to schooling and (2) assist the Gretna (Florida) Elementary School institute a program that included an emphasis on reading and language use for both parents and students. The Gretna principal reported that test results on Florida's State Student Assessment Test (SSAT) showed significant improvement in grade 5 in both reading and writing. We have assisted schools in Georgia and South Carolina to develop school-based enterprise programs. In these programs, the students actually survey the need for and then develop and run a business in the community. For example, students in Social Circle, Georgia, have designed, are building, and will manage a miniature golf course in a local state park. These entrepreneurial programs are not only instructive, but they provide badly needed jobs in the community and begin the necessary changes in the infrastructure.

In yet another approach, the Lab is working in Mississippi and South Carolina with a local district that the state has found to be in extreme difficulty. I know that this committee recently held a hearing in Clarksdale, Mississippi. In adjoining Quitman County, we are working with Superintendent Wright and his Board to deal with problems that, at first, seem almost insurmountable. Yet, here as in other places, we are seeing teachers and administrators take hold of their problems and begin to make modifications and improvements. We will help Quitman County to improve their educational system. But, most importantly, the

improvements that are made will be their improvements. Since Quitman County residents are making the improvements, they will last long after the Lab has moved on to other challenges.

As people learn to improve their schools by using local resources, it becomes obvious to them that just as the schools need the community, the community needs the schools if there is to be any meaningful rural development. Even though we can help local citizens improve their schools, we need help in dealing with the larger question of community development. The help we need resides in the great land grant colleges and universities of this region. Resident in the schools of agriculture in these institutions are the community planners, rural sociologists, and agricultural economists who could assist us in this endeavor.

Beyond the agriculture schools, there are numerous resources in these institutions that can be a major source of renewal for these rural communities. These universities typically have no connections with elementary and secondary schools, but we, the regional laboratory, do. In addition to our experience and expertise, we are viewed as third-party neutrals who can provide the necessary linkages, access resources, and orchestrate those resources in new configurations in nonthreatening ways.

We propose that an authorization of $12.5 million be made available for FY 91 to support pilot programs in each of the regional laboratory regions. Each pilot will involve a land grant institution, a cluster of rural communities, and a regional lab. The monies for each pilot would be allocated approximately 1/3 to the university, 1/3 to the local communities, and 1/3 to the laboratory. Five percent of the funds for each of the pilots would be set aside for independent evaluation and planning for expanded implementation.

By using the regional laboratory network that the Congress has set up for just such an exploratory purpose, connecting that network with the resources of the land grant universities, and channeling their combined resources to rural communities by using the local elementary and secondary schools as a conduit, the chances of rural community renewal are greatly enhanced. We believe that such an investment will garner maximum return on the federal resources that the Congress has already provided and that this committee anticipates recommending to rebuild our rural communities.

8/89

TESTIMONY
OF
DR. DANIEL T. MCQUAGGE, DIRECTOR
DELTA AREA WRITING PROJECT
DELTA STATE UNIVERSITY
CLEVELAND, MISSISSIPPI

AND

DR. MARLA L. COWIE, DIRECTOR
MVSU WRITING PROJECT
MISSISSIPPI VALLEY STATE UNIVERSITY
ITTA BENA, MISSISSIPPI

U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE

SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

FIELD HEARING
CLARKSDALE, MISSISSIPPI

AUGUST 23, 1989

As Executive Directors of the Delta Area Writing Project, Delta State University, and Mississippi Valley State University /Writing Project, Mississippi Valley State University, we welcome this opportunity to testify before this distinguished panel as it examines problems and searches for solutions to the literacy problems of rural areas nation-wide.

We want to thank you, Chairman English, Congressman Mike Espy, and the other distinguished members of this subcommittee for providing a forum for serious consideration of literacy.

Today, we will provide an overview of the Writing Projects and the role they have played and will play in improving the literacy of the Mississippi Delta.

Literacy in the Mississippi Delta is in our view the major key to economic development. Governor Ray Mabus has recently issued a report, Mississippi's BEST: Better Education for Success Tomorrow, proclaiming "By the year 2001, Mississippi must have a world class education system." As directors of National Writing Project sites at the two regional universities serving the Mississippi Delta, we join Governor Mabus in his goal to develop a world class education system by 2001.

The Delta Area Writing Project is located at Delta State University. The MVSU Writing Project is located at historically black Mississippi Valley State University. We represent outreach programs of our respective universities, serving the Mississippi Delta, of the Second Congressional District, the third poorest Congressional District in the United States.

Poverty and lack of education go hand-in-hand, particularly in the rural Mississippi Delta. The poverty of this congressional district produces a limited horizon for the citizens and causes children to lack motivation for education and, thus, be prone to drop out of school. As a result, we have the vicious cycle: children see no economic benefits in education and drop out, and industries have a limited work force with limited skills and seekother locations. For example, last year in rural Holmes County almost one-third of

the working people made less than $5,000.00 a year, and 30.8 percent of the black work force was unemployed. Forty percent of the citizens of Holmes County do not have a high school diploma.

Many of the school districts are severely hindered from providing the children innovative programs and materials necessary for their children to have the educational experiences vital to becoming fully literate. Lack of industry and a depressed farm economy have resulted in a low tax base for the majority of the Delta's school districts. Luring industry to the Delta is a difficult matter without good schools and a skilled, well-educated work force.

Research as to the characteristics of language of the Delta children is needed. Much of the dialectal and language studies were done in the late 60's and early 70's. These were primarily descriptive and involved urban students. Much updated research is needed to assess what language difficulties these children have and design specific programs to insure that language difficulties are overcome.

Nonetheless, Mississippi's schools are having some success. A functional literacy examination required of all high school juniors had a pass rate of 95 percent last year. But the hardest part is still ahead, for a person who is only <u>functionally</u> literate reads only at a fourth grade level and writes only well enough to communicate an idea, not necessarily clearly enough or correctly enough to satisfy most employers.

Fortunately, programs already exist that have had a marked effect on improving the level of literacy of school children in the Delta. The Delta Area Writing Project and the Mississippi Valley State University Writing Project, both members of the Mississippi Writing/Thinking Institute and the National Writing Project, have been engaged in summer institutes to train public school teachers across the curriculum to use writing to teach students critical thinking skills. Over the past four years, the Delta Area Writing Project has conducted staff development series with eight school districts, and the MVSU Writing Project will begin staff development this fall. Test scores confirm that the writing projects are making a difference.

The Mississippi Writing/Thinking Institute, the consortium which the two mentioned writing projects are members of, has developed a

remediation curriculum for math, written communication, and reading. The first year the program was used, student scores increased by 3.6 years on the TABE.

Last year black students from a rural high school in Sunflower County, Ruleville, Mississippi raised their ACT scores during the nine months of their senior year. Their scores on the California Achievement Test were also raised. Their English teacher, Mrs. Gerry Sultan, is a teacher consultant of the Delta Area Writing Project.

Our method is to bring together outstanding Delta teachers in summer institutes and train them to teach other teachers through staff development programs in the school districts throughout the school year. The Delta Area Writing Project has trained 88 teacher consultants in its first four years, and the MVSU Writing Project has trained 20 teacher consultants in 1989, its first year of operation. We work with kindergarten through college teachers and with teachers from all content areas -- even the sciences -- for National Writing Project research shows that writing can be a powerful tool in studying any subject.

Our programs provide a cost effective means of improving teaching and learning in the Delta's public schools. Stable funding would enable us to help all Delta teachers learn to use writing to help all children to become truly literate.

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VIA FEDERAL EXPRESS

August 3, 1989

The Honorable Glenn English
Chairman, Subcommittee on Conservation,
Credit, and Rural Development
2206 Rayburn House Office Building
Independence & S. Capitol Street, S.E.
Washington, D.C. 20515

Dear Congressman English:

We have just been advised that the House Agricultural Subcommittee on Conservation, Credit, and Rural Development will be holding a field hearing on rural development in Clarksdale, Mississippi, on August 7, 1989. Due to the shortness of time, we will be unable to attend the hearing. However, we would like to submit the following written comments on behalf of the Mississippi Bankers Association for consideration by the Subcommittee.

The Mississippi Bankers Association is a trade organization composed of commercial banks in Mississippi. Many of our members are community banks with assets of less than $100 million, and several of our banks are heavily engaged in agricultural lending.

We commend the Subcommittee for holding this hearing to explore the difficulties facing rural America. Solving these problems will require the best efforts of both the public and private sectors.

Some experts in agricultural economics believe that the farm sector is stabilizing. However, the severity of the recent cyclical downswing of U.S. agriculture has taught us a valuable lesson about the need for economic diversification in our rural communities. Without diversification, we will remain extremely vulnerable to future fluctuations in the farm economy.

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Economic diversification will not be easy to achieve. Policies which encourage public and private investment in rural America are a vital ingredient in rebuilding the economic base of farm communities. As the basic comprehensive financial intermediaries in rural areas, banks must play a central role in this investment process by providing credit to assist new businesses, to encourage diversification in agricultural production, and to fund improvements in education and community infrastructure.

Local banks have a major stake in the economic health of their customers, and they are uniquely qualified to meet the credit needs of their communities. However, banks must also operate within the parameters of safety and soundness laid out by bank regulators. This point is critical because bankers are sometimes accused of lacking concern for those who wish to borrow but lack collateral and/or adequate cash flow.

The banking regulatory system of this country is designed to protect banks' depositors. To do that, the regulators examine bank loans very carefully to be certain that they are adequately secured with an appropriate cash flow. If the regulators determine that a bank's loans are not of sufficient quality to protect the safety and soundness of the institution, they classify them as substandard. A number of classified loans can lead to very negative consequences for the bank's management and directors. The bank may not survive.

However, we feel that it would not be wise to assume that our existing institutions do not want or are not able to achieve the public policy goal of providing capital or loans to businesses in rural areas. As noted above, there are impediments to some of this involvement that result from bank regulation. Therefore, it is important to identify carefully the goal that is being sought and then look for the appropriate means to achieve it. As this is being done, the already existing goal of protecting the safety and soundness of our financial institutions should not be ignored.

Federal loan guarantees offer one way to allow banks to provide the credit necessary to build a diversified economic base in rural areas while at the same time protecting the financial integrity of the banks. Loan guarantees can be designed to suit various types of business needs. For example, a guaranteed line of credit offers a flexible way for businesses to handle cash flow problems and to assure businesses that their operating capital needs can be met by a local bank. A federal guarantee would allow a bank to extend such a line of credit even to new business ventures which might otherwise not have the necessary collateral to secure the loan to the satisfaction of bank regulators.

In addition, other mechanisms for banks to provide debt and equity financing to businesses in rural areas should be explored. While recognizing the constraints imposed by the necessity of protecting their depositors' funds, bankers also recognize that they have a vital interest in promoting economic activity in their rural communities. To this end, we are available to participate in the development of mechanisms to promote that necessary activity.

Many experts have stressed the need for improvements in rural communities' infrastructures to attract new businesses and to retain existing businesses. In particular, roads, water and sewer systems, utilities, and health care facilities are essential ingredients to support long range economic growth. Obtaining the necessary funds for such projects is made more difficult for small towns because banks cannot underwrite revenue bonds. We are aware that the Subcommittee does not have jurisdiction over this area of revenue bond underwriting. However, we did want to mention this point because it does affect rural communities directly.

For some communities, federally guaranteed loans may be necessary to help fund infrastructure improvements. Such loan guarantees targeted towards public works programs may enable a local government to provide essential community services that it otherwise could not afford.

The events of the 1980s have clearly demonstrated that the health of a bank is inexorably linked to the vitality of its local economy. The banking industry, therefore, has an important stake in strengthening and diversifying the economic base of the small towns and rural areas across America. Bankers offer knowledge of local markets, financial expertise, and a serious commitment to the revitalization efforts being made by your Subcommittee. We, of course, are willing to work with you and your colleagues on these very important issues. Thank you for the opportunity to comment on the difficulties facing rural America.

Respectfully,

L. H. Wilson
General Counsel

LHW/skw

cc: The Honorable Mike Espy

RURAL ECONOMIC DEVELOPMENT

WEDNESDAY, AUGUST 9, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION,
CREDIT, AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
Amarillo, TX.

The subcommittee met, pursuant to notice at 9 a.m. in the auditorium of Texas Tech Health Science Center, 1400 Wallace Road, Amarillo, TX, Hon. Glenn English (chairman of the subcommittee) presiding.

Present: Representatives Sarpalius and Combest.

Staff present: Joseph Muldoon, assistant counsel, and James E. McDonald.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. ENGLISH. The hearing will come to order. This is the second of the field hearings that we are having across the country. We are meeting in various regions of the country to get the thoughts of people, give them an opportunity to have input as to what they would like to see in a rural development bill. On Monday, the subcommittee held hearings in Mississippi and on Friday we will hold hearings in Iowa. Later this month we will be in Idaho and next month we will be in West Virginia and New York.

The concept behind these hearings is to provide the basis for rural development legislation. We are trying to make certain that whatever legislation we put together is useful, helpful, and provides a benefit as far as rural communities throughout this country are concerned.

We have seen, particularly in the past decade, a steady erosion of the population and economic potential of rural communities throughout this Nation. For instance, between 1986–87, it is estimated some 1 million people moved from rural America into urban centers. Now, this is obviously devastating for rural areas, but it is not beneficial for urban areas either, because far too often we are finding that people who are moving from rural areas do not have jobs, they have very little in the way of financial resources and when they move into urban areas, as often as not they become dependent upon the cities that they move into and whatever social services may be available.

So, it is in the best interest, not only of rural areas, but also of urban areas, that we reverse this trend. That we make certain that rural America has an opportunity to grow and to prosper.

I think everyone is well aware of the fact that we have huge budget deficits as far as the Federal Government is concerned. So there is very little in the way of enormous sums of new money to pour into rural areas. What we are going to have to do is take the existing resources we have and to hopefully target those resources so that, in fact, we can have much greater impact and be more effective.

There are many programs that exist today in rural development. To my understanding there are some 88 programs throughout the Federal Government that in one degree or another affect rural development. But by redirecting these programs, by focusing these programs, we feel that we can substantially increase their impact. And we have to understand, when we talk about rural development we are not only talking about jobs, we are not only talking about small businesses. In order for a community to grow and prosper, obviously it has to have jobs. But it also has to have quality health care. It also has to have an education system that encourages young people to move there and to raise their families in that community.

So, the question of rural development goes beyond just the jurisdiction of the House Agriculture Committee, it touches on many other committees within the Congress and we are working with our colleagues on other committees to address those needs, so that hopefully their efforts will dove tail with what we are doing in the House Agriculture Committee.

It should also be said, however, that in looking at the financial resources that are available, some $12 billion of financial resources are available within the Federal Government today, we find that roughly $6 billion of that is under the Department of Agriculture and therefore the jurisdiction of the House Agriculture Committee. The other $6 billion is scattered through various Government agencies and Departments. So, the bulk of funding does come through the Department of Agriculture and it is there where we will focus our attentions while we work with our colleagues.

I am encouraged, quite frankly, by the testimony we have already received. Throughout the month of June we heard from over 50 witnesses in Washington and the testimony that they provided was extremely beneficial. These regional hearings without question will point to the differences that we see in various regions of the country. We will see the needs of the Texas Panhandle area, the Oklahoma area and this region of the country are going to be different than what we saw in Mississippi. And so it will be with the other regions of the country. And we want to make sure that this legislation, as it is designed, pays attention to those differences. We want to make sure that it does in fact respond to the needs of each and every part of the country. So, these hearings, this hearing today, will do much for us in sensitizing the committee as to the needs of this region of the country, and certainly we want to make certain that those needs are well addressed.

I am very pleased that we have with us today, the host of the subcommittee, Bill Sarpalius, who is also a member of the subcommittee. Bill has been extremely interested and active in the issue of rural development and is making a solid contribution as we move toward putting this legislation together. There is no question, Bill,

we appreciate your appearing with us. And so with that, I will recognize Bill for any comments he would like to make.

OPENING STATEMENT OF HON. BILL SARPALIUS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. SARPALIUS. Thank you, Mr. Chairman. I want to thank you for bringing our subcommittee to Amarillo. We have with us today Chairman English, who represents, actually connects his district in Oklahoma and Congressman Combest, who is south of the 13th Congressional District, so the three of us, if we all wanted to, we could have a hell of a big State, if we joined together. But we are very honored to have you here with us today in Amarillo. I think we are going to have some excellent testimony.

Rural development is something that is very very critical to the Texas Panhandle, to our area. We find in many of our rural towns, small businesses struggling to survive, rural hospitals struggling to survive, with depressed agriculture and oil and gas our economy has really been going through some tough times. And it is in encouraging as a new Member of Congress to come there and see that they are very actively concerned about those programs and are making an effort to try to see what we can do to turn around our rural communities and once again see them grow and develop and provide the type of atmosphere that we were accustom to when we were growing up in many of these rural towns.

We are sure glad to have you in Amarillo.

Mr. ENGLISH. Thank you, Bill, I appreciate that. Larry Combest is one who has been on this subcommittee for some time and one that I have had an opportunity to work with over the years. I have always enjoyed, not only the relationship as far as the efforts we have put out together in trying to deal with the problems of our region of the country, but also, have enjoyed very much his hospitality. He has had me to Lubbock and has really been tremendous, a good friend of both Bill's and mine and as Bill pointed out, perhaps another day and another hearing we will start talking about redrawing State lines and doing a few things like that. We decided that we have all got an awful lot in common in this region of the country. Larry is one who certainly has a tremendous interest as far as rural development is concerned. One who is going to have a great deal of influence as far as putting together a rural development bill and one that I am sure will help make certain that this region of the country is fairly treated in any rural development legislation.

Larry, we want to thank you for coming and receive any comments you might have.

OPENING STATEMENT OF HON. LARRY COMBEST, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. COMBEST. Mr. Chairman, thank you all, let me join with Bill in welcoming you to the Panhandle of Texas. I cannot exclaim to claim exclusive rights, certain on this, this is Bill's district, but mine does not start far from here to the south. It is a pleasure to have you here. I have had the opportunity to serve with Chairman English on the Ag Committee for 5 years now and it has been a

real delight in looking at the kind of work and dedication that this man has. We are honored to have you here, Glenn, and in Amarillo and in Texas.

Glenn is just starting, this term, as the chairman of this subcommittee. I always hesitate to say this, but I think this is one of the most active, without question, subcommittees of any of the House Ag subcommittees, for all—jurisdiction. And Glenn has just finished his first trial by fire in that subcommittee in directing through and carrying through a massive bill relative to the Commodity Futures Trading Commission, the reauthorization and extension of looking after some of the problems that are occurring within that industry, we have to maintain the credibility of the industry, has done a masterful job of the most extensive review that has ever been done of commodity trading and of commodity futures and did a wonderful job with it. Got a claim and accreditation, which was certainly due and the accolades that have been given to Glenn in that regard, to not come near to the amount of work he has done in it.

I think it is symbolic of what it is that he is willing to do as chairman of this subcommittee. And I think we are going to see rural development being able to take a position that has never been taken before. I suppose for 15 years there have been rural development packages introduced in Congress. And I do not mean to take away from the good that some of those have done, but there has never been a consolidation of the efforts of rural development that I think we are seeing moving forward now. And it is an effort, which there have been many times, many different aspects at work in rural development that have never consolidated those efforts and moved forward. I think we are on the verge of that, and I do welcome you back again to Texas, Glenn.

I want to welcome those people from the 19th District that may be here. I know some of you are, I have seen some and some will be coming in as the hearings progress. I will apologize to the chairman and to all of—and to you for having to leave about noon. I have to get back into Hufford, a good friend and physician from Hufford, James Hall, is in a group. James, I will probably beat you back to Hufford, but I have to get in there for some afternoon meetings, back on the 19th, but I will certainly have a copy of all of the testimony and we will be reading the hearing records and I assure you that my interest will not be any less of the fact that I am not here.

One of the things that Chairman English does, if you noticed, we started the hearing right on time. That is the way that everything runs under his guidance and leadership. This is a great hearing room. We are probably going to enjoy this more than those stuffy committee rooms we sometimes have up in Washington. But we have tags here on the table and if any of us get lax up here, he is going to stick these to us, so I can assure you we are going to be very alert. I will be interested in hearing your testimony, Glenn, again, welcome to Texas.

Mr. ENGLISH. Thank you very much, Larry. Let me also say that both of these gentlemen made substantial contributions to the reauthorization of the Commodities Futures Trading Commission bill and I think it got us off to a very good start. As far as the subcom-

mittee is concerned we are looking forward to providing the same kind of thorough examination as far as the question of rural development is concerned. So, if we had not had bright members like we have on the subcommittee, both on the minority and majority side, certainly it would not have been possible. And I appreciate the fine work that you both put in.

Mr. Steve Ahlenius is here with the chamber of commerce. I understand he wanted to say a couple of words. Mr. Ahlenius, we appreciate that and please have a seat.

REMARKS OF STEVE AHLENIUS, DIRECTOR, GOVERNMENTAL AFFAIRS, AMARILLO CHAMBER OF COMMERCE

Mr. AHLENIUS. Mr. Chairman, and members of the committee, my name is Steve Ahlenius, I am director of governmental affairs for the Amarillo Chamber of Commerce. I am filling in today for Russell Wood, who is out of town on business, who is president and CEO of the chamber. I would like to welcome you to Amarillo. You will find that people here are probably the friendliest and most self-reliant people you will find in this part of the country.

I realize today that you have a long day ahead of you as far as public testimony in regard to rural economic development, but I would like to touch on just a couple of things that we see in regard to rural economic development.

Congressman English, as you have mentioned just earlier, there is some money, limited money that is available for rural economic development. I would strongly urge you to consider looking at some of the existing Federal programs that are already in existence that are under funded, that could probably address some of the needs and directions that you are wanting to go. If that course of action is one that you choose not to go, I would strongly suggest considering some of the State agencies, throughout the country, that are charged with economic development for that State, in regard to economic development. I think you will find that those programs are both effective and can address some of the same specific needs that you are wanting to address.

Finally, in our dealings with small businesses and start ups, we are finding that there is money available out there to those businesses that have good solid business plans. A marketing strategy and a niche in the market that they are wanting to fill. I think to venture off into business ventures or start up that have no legitimate or chance of surviving would be a waste of taxpayers money in terms of that business did not have some equity to bring to the table for that venture.

Again, I think you will find the dialog here with the people from the panhandle meaningful, I hope they provide some positive directions for you and I hope this hearing is both productive for you. And again, welcome to Amarillo and I hope your stay here is pleasant.

Mr. ENGLISH. Well, thank you, Mr. Ahlenius, I appreciate that. Let me say that I am generally in agreement with the points that you make. I think one thing that has become very clear as we have gone through these hearings, is that obviously we are dealing with very limited resources.

What we have had in the past has been pretty much scattered. You had a program here, you had a program there and it has kind of gone all kinds of different directions. And they really did not work in concert with each other and they really did not focus on and target those resources.

The one thing that I think we are coming down too, that everyone understands, as I said, is that we have very limited resources. And the question is going to be who decides, who gets resources and who does not. And probably that determination is going to be made by the local communities themselves. Not the U.S. Government, not the State government, but it is going to be the local communities. Those communities that truly want to help themselves. I think through this effort, we may be able to give them some help. We are going to try to make sure that we can give them some help. Other communities may sit back and say, well we want somebody to come and do something for us. We want somebody to take care of us. There is not a whole lot we can do for those folks, because those kinds of communities are not likely to be successful in the long run.

I think quite frankly, we have some communities that do not want change, they are very happy the way they are and that is fine. I think that is as it should be. I think that any legislation, at least it seems to me, that the prime ingredient that we should include is to underscore and emphasize the fact that any program that is put together is one that is offering a helping hand and offering assistance, it is going to do something for somebody.

Mr. AHLENIUS. Yes. And I think you will find that communities in this region are very aggressive in terms of economic development and wanting to do some progressive things.

Mr. ENGLISH. Well, I have a number in Oklahoma that feel the same way and I think that is the one thing that we can do. I think we may be able to target those resources and make a big dent—communities have a chance. So, we are going to do our best to help them and I think you have made some very good points, appreciate it.

Mr. AHLENIUS. Well, we appreciate your coming here.

Mr. ENGLISH. Thank you. I appreciate that. It is also my understanding we have State Senator Teel Bivins here. Senator Bivins, if you would come down, we will be happy to receive any comments you might have.

STATEMENT OF TEEL BIVINS, TEXAS STATE SENATOR, AMARILLO, TX

Mr. BIVINS. Thank you Congressman English, Congressman Sarpalius, and Congressman Combest. I want to welcome all of you to the very first senatorial district in the State of Texas.

Mr. ENGLISH. Very good.

Mr. BIVINS. I really am tickled that you all are here today on an issue that is critical not only to Bill's congressional district and Larry's congressional district, but all rural America. We, in the legislature and the 71st session, enacted legislation that is very much tracking what you and Congress are doing right now. We created a rural economic development commission, that is going to engage in

a similar process that you are engaging in today. And I want to pledge to you that we need to work together, we need to share the data that we retrieve and compile with your efforts to address this most important issue. That commission is scheduled to report back to the 72d session of the Texas Legislature in 1991, and at that point I will personally see to it that we communicate and share our results.

One of the other endeavors that we embarked on in this issue was to create a rural economic development fund. And candidly, I had some serious concerns that the direction that Government needs to go, making guaranteed, or backing if you will, private loans with Government guarantees for rural economic development efforts. I ultimately decided that this was in fact the way to go, because the issue is very important, and two, because the way we did it was that we assured there was local control in any of these loan guarantees.

The way we structured our loan guarantee program is that if a community wants to seek Federal, I am sorry, State funding for a rural economic development initiative, that community has to sign off on it first. In fact, the city council of that community must apply to the Texas Department of Commerce to receive the loan guarantee that if offered by the funds that we created.

And I am a strong advocate of local control wherever possible. I heard your comments about communities seeking those that are aggressive and those that are wanting to sit back and wait and have things handed to them. And as such, I made the decision to vote for this program, because of the aspects of local control that it maintained. I would urge you and your group to focus on that similar approach.

I am really here today to learn, just like you guys are, I mean we have a field of very capable and credible witnesses that I want to hear today. But one area that I would comment on, that I think is significant for your purposes and that is in the area of rural health. Another major initiative that we took in the 71st session of the Texas Legislature was to pass an omnibus rural health bill. I will not go into the myriad of details of that bill, but one very important one stands out and has implications for your work today. That is in the way that hospitals are reimbursed for Medicaid eligible patients. For a long time there has been an inequity between the reimbursement rate for urban hospitals and for rural hospitals. What we did in the legislature was for those hospitals that have fewer than 100 beds, we authorized a change from the DRG reimbursement system to an actual cost reimbursement system, so that we will end, and in fact maybe even give a leg up, to these rural hospitals on the reimbursement for Medicaid. And what I am here to urge you to consider today, is to do the same thing for Medicare reimbursement for the rural hospitals, which is a far bigger part, as you know, of what they are doing. With the aging population that we are seeing in our rural communities it becomes even more important that you focus on that issue.

Obviously, that flows back into economic development, because a community without a hospital loses a major tool that they have in trying to develop their community and attract businesses to their communities.

So that is one area that, and only one, that I wanted to touch on today and urge you to consider in your efforts that I applaud in addressing the rural economic development needs that we have throughout our area.

Mr. ENGLISH. I appreciate that very much, Senator. All three of us are members of the Rural Health Care Coalition that has been pushing hard in Congress and we have been having some success in moving legislation to remove some of the inequity that exists on Medicare reimbursement. We would agree with you whole heartedly. If anything the costs for running rural hospitals on a per patient basis, are probably higher than they are in urban hospitals, simply because we do have an older population, they are in there for longer periods of time and they are in there more often. So I think it is a good point and I appreciate that. I think you have made some excellent points.

Mr. Combest, any questions?

Mr. COMBEST. Good to see you, Teel.

Mr. BIVINS. Very good to see you. Bill, thank you all for doing this.

Mr. ENGLISH. All right, thank you very much. For our first panel of witnesses this morning, we are going to hear from Dr. Dennis Fisher with the Texas A&M University system at College Station, Dr. Ron Knutson, who is also with Texas A&M, Dr. Donald Michie, who is with the Institute for Manufacturing and Materials Management, University of Texas at El Paso, and Dr. Peter Wichert, who is with New Mexico State University at Las Cruces, New Mexico.

Dr. Fisher, why do we not let you lead off with your testimony. We have a lot of witnesses here today and I want to stress to all of our witnesses right now, that without objection, your complete written testimony will be made a part of the record. Also, I want to ask you to hold your statements to 5 minutes. We are looking for summaries. So please do not read us the whole statement. We will have all the written testimony in later, and we are going to try to hold you pretty much to that level. I am not going to take you right down to the second and rap the gavel on you, but I want to try to hold you pretty much within that range. And if you—I see, we have a cattle prod up here that we, yes, OK,—and if you can kind of help us hold to that, we would appreciate it, we could move right along. If not, we are going to run into some trouble later on today, I am afraid we will not get all the witnesses in, so we would appreciate that.

Dr. Fisher, we will let you lead things off and set the example.

STATEMENT OF DENNIS U. FISHER, EXTENSION ECONOMIST, DEVELOPMENT AND POLICY, TEXAS A&M UNIVERSITY SYSTEM, ACCOMPANIED BY RONALD D. KNUTSON

Mr. FISHER. Thank you Congressman English, Congressman Sarpalius, and Congressman Combest. I appreciate the opportunity to testify before this subcommittee and threats will work, we will stay within the 5 minutes.

I particularly am optimistic about your statements in terms of changing the focus of the rural development policy and taking a

hard look at the flexibility that is needed to address rural problems and I think that is something that is desperately needed if in fact we are going to be successful dealing with rural development issues.

Our testimony this morning comes from what we have learned in an eight county area, where we have been doing research and extension work in the northern Panhandle of Texas, and the work that we have done with rural communities throughout the State of Texas. And we have observed a number of things, but one in particular that the most limiting factor that appears to us to be holding back rural development, tends to be a lack of adequate human capital. That is the capacity to deal with the changing economy, the changing forces that are affecting rural communities. People in both private and public positions being able to handle the changing economy that they face. So what we would suggest is that there is a desperate need for investment or effort in two areas, one technical assistance to help both private business and public officials deal with the change in circumstances they find themselves in; and, second shoring up of rural education, possibly expanding the mission of rural education.

That is not to say that there is not a need for complimentary investment and infrastructure and things like that, but the most limiting factor that we have seen has been human capital area.

Let me address first the area of technical assistance. Most of the eight county area we are working in are experiencing significant business losses to other areas. That there is a tremendous trade loss throughout the area and there is a desperate need to help those folks begin to understand their local economy, reasons for that trade loss and then generate alternatives for recapturing that trade, or for generating additional business. There just is not the capacity to do that in some cases, so there is a desperate need for that kind of a program.

Additionally, there is a need to work on a multicounty basis, which is very difficult. Our government structures are set up such that they actually vitigate against the cooperative planning and initiating projects across governmental lines. That is hard to do, so there is a need for technical assistance in that area.

Second, rural education. Our eight county area happens to be kind of a bright spot in rural education, performance has been extremely strong in K through eighth grade, but there is a desperate need to expand into adult education. Now, those school districts at the same time are experiencing extreme pressure because of declines in population. There are some very small districts up there, local folks are taxing themselves heavily to maintain those districts, but it is difficult to do.

There needs to be some experimentation with delivery methods and with curriculum to make sure that the curriculum catches the student where you find that student and then give that student skills that in fact will help them survive in that local economy.

There is some suggestion that some of the skills that are being imparted in our rural education in fact encourage outmigration, because they serve better in urban rather than rural areas.

So those are the two areas that I would emphasize that there is a desperate need for help. Technical assistance and an investment in

rural education. There needs to be some business development that goes along with that and the flexibility to handle the diversity situation that you find in rural America, but basically that dearth of human capital seems to me to be one of the major critical factors.

[The prepared statement of Mr. Fisher appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Dr. Fisher. Dr. Knutson, is that right?

Mr. KNUTSON. I have no separate statement from that of Dr. Fisher.

Mr. ENGLISH. Dr. Michie.

STATEMENT OF DONALD A. MICHIE, DIRECTOR, INSTITUTE FOR MANUFACTURING AND MATERIALS MANAGEMENT, UNIVERSITY OF TEXAS AT EL PASO

Mr. MICHIE. Thank you very much, Mr. Chairman, members of the subcommittee. I am delighted to be here to be able to testify on this critical issue of rural development and I applaud the efforts of this subcommittee to bring this issue to the attention of the American public.

My name is Don Michie, I am director of the institute for manufacturing and materials management at the University of Texas at El Paso. I am coordinator of several economic development initiatives in planning for the southwest border with Mexico's economic plans and activities.

I would like to talk to you today about the issue of alternative approaches toward rural development. And I am going to focus a little differently than perhaps most of the testimony this morning, I am going to talk about what I think is the critical problem, what it is, the situation that we are faced with, what model we might employ to address this rural development opportunity, and, then outline for your a six point program which I would suggest might be a starting point for this issue.

The fundamental problem that I see facing rural America today is our lack of integration of rural America into the industrial base of the U.S. economy. Rural America is to isolated, it is to dependent on agriculture as its sole means for economic development. We have to provide other opportunities for rural America if it is going to enjoy the standard of living that is present in other sectors of our economy.

Our challenge is new alternatives for that element and I am suggesting that the approach to take is to seek ways to integrate rural America more into the industrial base of the U.S. economy.

The situation that we are faced with is quite simply industrial competitiveness. In my written testimony there is an exhibit 1, which basically points out that the most serious threat to the U.S. economy today is its industrial competitiveness in the domestic and global markets that are rapidly evolving as we move toward the 21st century.

Competition for these markets is increasing, as regions of the world integrate their resources to increase their industrial competitiveness. We are going to be faced with an EEC, in 1992, of a very formidable economic force. We already know what the Pacific Rim

has done in terms of its ability to penetrate the U.S. market. The Caribbean Basin Initiative is another economic development initiative that has become a competitive factor for the United States.

These regions have integrated their resources and have been very successful in the global market. I suggest that we in the United States have not integrated our resource base to the extent that we ought to have, if we are to achieve a strong competitive position within the U.S. market as well as the global.

And the issue is pretty simple. We either have a total cost of business environment that enables our industry to put products on the shelf at a competitive price and quality, or we are not competitive. So, price is a functional cost. And for rural development to occur in the United States, we have to invest in a total cost of business environment that is attractive for industrial investment in these areas.

U.S. industry has responded to this threat by moving into production sharing. We on the border clearly understand production sharing as all of us in Texas. We have not lost jobs, per se, in the U.S. economy as a result of this offshore production, but we are losing technology and we are losing industry. We need to respond by addressing this competitiveness issue, by trying to use rural error as our base for technology. I might add that this issue of lack of industrial competitiveness and total cost of business environment has been an urban problem. We have lost our competitiveness to much of our cost structure in urban America. We perhaps can regain our competitive advantage by focusing on rural America.

I am suggesting a program then that would integrate rural America into this industrial base, by making American industry more competitive. And this particular program that we would suggest, one, complement agriculture, second it would be market orientated, based on trade area. And I am delighted to see you three gentlemen talking about your regions, even though it was divided politically, it is indeed a trade area that can be integrated in terms of its resource base and be very successful.

Why rural America as a vehicle for accomplishing what we are talking about this morning? Because of the tremendous work that we see in rural America. Second, the technical aptitude that exists in rural America. My first 20 years were spent on a farm and I understand how self-sustaining rural America can be in terms of its technical aptitude and the kinds of things that are required for industrialization that rural America certainly is capable of handling.

And last, we are talking about a trade area. Rural America naturally feeding into urban trade centers, such as Amarillo and Lubbock and other communities throughout the United States.

I am also suggesting that this program is going to require a partnership. A partnership of government to invest in the infrastructure necessary to create and attract the total cost of business environment in the rural America communities. Institutions of higher education that can use their resources to integrate and help with this communication problem that we have, curriculum that needs to be developed. And last, private sector. The third member of the partnership that must invest and will only invest if it could be competitive and have its competitive position enhanced.

The model that we are talking about, which also is contained in written testimony, is based on trade areas. And we understand that we have to understand the resource base of the community, what its total cost of environment is, before we are going to be able to identify market strategy to promote economic development. And that the model that we have presented in the written testimony can apply nationally, it can be regionalized, it can be a generic model that can be modified.

The six point program that I would suggest we consider is one, to establish trade areas, economic development data banks that can be handled and can be administered by a consortia of universities in each trade area. Universities have the capability, have the human resources to be able to handle this information. We are not trying to supplant the Small Business Administration or any other governmental agency that might be involved in this particular area. We simply want to compliment and we have the human resources to be able to do that.

Second, rural development, economic development infrastructure grant programs. We need to invest in infrastructure, the medical care, the highways, the bridges, the kinds of things that will reduce a trade areas total loss and business environment and make it competitive.

Lets consider a trade area economic development bank, for guaranteed loans, for low-interest loans to put in this industrial infrastructure that is necessary to support the effort that we are talking about. We understand that we have a problem with the gas industry and the oil industry. But in Texas that gas and oil industry is supported by a very capable tool and die industry as well, that it happens to be located in west Texas and other areas within the State. We have not put that capability to work in industrializing or integrating industry into rural America.

The tax incentive program that focuses on integrating rural America into the national economy, the industrial base. That is based on, in essence, interstate commerce. Give tax incentives for those kinds of linkages being forged.

Business service out reach programs. We need to understand that the fundamental issue here is business opportunity and we have to express it in those terms.

Finally, technology transfer. If we are going to be competitive as a national economy, the rapid change in technology has to permeate all factors of our society, including rural America, and we have to put in the mechanism that will enable us to do that.

The program that I have outlined for you, gentlemen, is not a panacea. We do not suggest that this is going to be a comprehensive solution to the problem. But I do suggest that it is a first step toward a competitive position and an integration of resources for the United States as a whole in this rapidly changing global situation.

It is complimentary, it is not a duplication. What we would like to do is to coordinate our resources, not duplicate them. It ought to be self-sustaining. Over the longer term this ought to have a pay back, because it is market-driven and not a subsidy. And finally, the focus clearly is on application.

Let me conclude by saying that the southwest region is unique. We are working on this issue in the southwest border area. We think that the work that is being done here can serve as a model and, Mr. Chairman, I would suggest that the southwest area, the region, serve as a model and be deserving of a separate chapter in this legislation that is being developed.

Thank you, very much.

[The prepared statement of Mr. Michie appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Dr. Michie, I appreciate that. Dr. Wichert.

STATEMENT OF PETER M. WICHERT, ASSISTANT DIRECTOR, CENTER FOR BUSINESSES SERVICES, COLLEGE OF BUSINESS ADMINISTRATION AND ECONOMICS, NEW MEXICO STATE UNIVERSITY

Mr. WICHERT. Yes, thank you, Mr. Chairman. I appreciate the opportunity to speak to you today. My name is Peter Wichert, I am assistant director for business services at New Mexico State University, and I am here to, in many ways, support what Dr. Michie has just spoke about and to illustrate some ways in which we are taking the first steps toward a market area approach to rural economic development, instead of a political or jurisdictional approach.

First of all, I wanted to touch on some special problems that affect the southwest border region in terms of decline. First of all, whenever you talk about world decline in this area it is almost always worse, the numbers are worse than numbers that are cited for other parts of the country. For instance, out migration from rural areas to urban areas, low per capita incomes, closing of infrastructure schools, and so forth, they are almost always worse in this area than they are in other rural areas.

As a group, the counties which border the country of Mexico are the poorest group of counties in the country, with the exception of a few West Virginia counties. And it does not matter that they are spur of the moment States of Texas, New Mexico, Arizona, and California, the fact is that they are a contiguous group with very special economic problems and by and large they are rural areas.

I want to reiterate the idea that do the best differences in competing constituents within the southwest border region, many past economic development efforts have not been very fruitful, because of the barriers put up by jurisdictions. And this reiterates the reason why we see it is necessary to get above and beyond the jurisdictional areas.

The specific problems center around a lack of awareness of what is a market region. I think many people have the idea, for instance here in Amarillo, that Clovis is part of the Amarillo market region and what goes on at Cannon Air Force Base has a direct effect on the Amarillo economy. However, there is very little planning or coordination that goes on between the many jurisdictions between the two communities.

There is a lack of information about demographics of this market area. We have very good demographic information on what is going

on within political jurisdictions, but we do not have very much information about what goes on in market areas, or supra jurisdictional market areas.

If and when opportunities become known, when a business learns that an opportunity within the business, within a market area, often there is the lack of resources to help that business exploit that opportunity. And all of these things are specific problems that we think will be addressed by our consortium proposal.

Ultimately, one of the goals of our approach, we think, is to get above and beyond the idea that economic development is the zero sum gain. Right now the State of New Mexico and the State of Texas, for instance, see each other as combatants or opponents in the economic development process. When in fact by pooling the resources we have, I would happen to guess on a per capita basis we spend more, at least as much if not more, for economic development in these two States. But, because we lack a regional or market of our view, much of that expenditure, I will not say is wasted, but is not—does not realize its full potential.

I wanted to touch on a couple of demonstration projects we have undertaken, which we would like to integrate into our consortium proposal. There are two very specific areas, they are areas of action that have turned out to be very successful in economic development.

No. 1 is a field business service. On a recent audit of our field business service, which is an effort to help businesses either in the startup phase or the expansion phase, we found that when we helped businesses expand that generated almost three times as much employment and two times as much cash-flow as assistance to startup firms. And almost always the assistance that those types of firms needed, that is, the expansion from this very specific technical assistance areas of industrial engineering, production, and operations management, personnel management, much more complicated, much more highly specialized that the startup business that we have traditionally focused on. This was a bit of a surprise to us, because we had become indoctrinated in the idea in the early 1980's that it was the entrepreneur, the new company that was the engine of the economy. Well, that might be true on the national basis but it is not true in the southwest border economy. Our efforts on existing businesses have been much more fruitful.

The second pilot project that we started about 1 year ago, is an effort to bring market information about trade and activity within a market area. Again, ignoring political or jurisdictional boundaries. Our demonstration project cost about $10,000 and what it did was try to alert businesses to what was going on economically and business wise in the trade area. What opportunities existed for selling to Government, selling to other businesses, and for export. And when we audited the program, at the end of the program, we found that businesses within our trade area had achieved about $20 million in additional sales, for an expenditure of less than $10,000 on our part.

We served as an information clearing house. We are now in the process of putting us onto a computer system which will be carried throughout New Mexico on a fiber-optic basis and we would love to see this idea expanded to the southwest border region.

I would like to conclude by saying that I think the New Mexico State UTEP proposal is an integrative and cooperative effort. It is a start toward a new approach we think, and probably the most emphasis should be put on the fact that this is an action orientated approach. We are not studying, we are not doing research, we are beyond that, we have found some things that work and we want the chance to apply it to the region.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Wichert appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. Wichert, I appreciate that.

Dr. Fisher, you were talking about handling a change in the economy and the question of education came into play. With rural schools, rural communities, we do not have that many rural schools, at least in my district over in Oklahoma, that can afford to have a French teacher and a German teacher or Spanish teacher, maybe offer two or three languages and advanced math and things of that sort that might be offered in a large school in a metropolitan area. How do we address that kind of problem? If I am a young person and I want to settle in a rural community and I see a business opportunity out there, maybe I want to go out there and establish some kind of a plant. I have people. I have young people in my plant. They have children they want to educate. They want to make sure those young people have an opportunity to go to college and take advantage of a good education. How do I deal with it?

Mr. FISHER. Good question. There are a couple of issues there. One, if the question of the enrichment kind of courses you are talking about and second is the—some of the special economic ed kind of courses that are difficult to provide in the rural areas as well. And then the issue that I was really talking about had to do with whether or not the curriculum fit people well to work or gave them skills that helped them work right in that rural area.

It seems to me that in those first two, the enrichment kinds of courses and your special ed, we are going to have to do some experimentation with new delivery kinds of systems, distance learning kind approaches, but I think there is a desperate need for experimentation. One of the things that we have looked at, have been talking about too, just ideas that have been tossed around is the notion of expanding the role of the rural school so that it would begin to do some adult eduction kind of activities as well, so that there would not be the tremendous pressure for consolidation or further shrinking of that small school system.

Mr. ENGLISH. But does that not then require a distinction being made between a rural school and an urban school and will States then not be required as will the Federal Government, to in effect have two separate programs, one that aims at the needs of rural communities and rural schools, as opposed to simply having this mass of a program that is really designed for an urban area, but really is not very useful to a rural area?

Mr. FISHER. As a matter of fact, we were just discussing that over breakfast this morning, as to what the implications of that particular—of those conclusions were. And I think there is some question as to whether or not rural schools are not serving as primarily an export model in rural areas, training students to leave the area,

but not giving them the skills that leave the option of staying. In Texas we have a tremendous amount of standardization across schools. Standardization in testing, standardization in curriculum and if they leave then we would have to think about something different for rural schools.

Dr. Knutson and I have argued from time to time about vocational education and how effective it is, Vo Ag programs, and some of the points that we have discussed in that area are kind of interesting. But if the Vo Ag program tends to catch students where they are, that is the farm—the person raised on the farm comes in and he learns math, he learns to write proposals, he learns some entrepreneurial skills, basically doing some of the things that he has done growing up on the farm. I grew up on a farm and went through that kind of a program. Do you need a lot of additional farmers training? There are some interesting issues there that are not very easily handled.

Mr. KNUTSON. I think there is another dimension to the issue as well. You need flexibility in the program and I think we may have gotten ourselves into a position where we got to rigid a program, but at the same time you have to have opportunities for those people in the rural communities. Clearly, you cannot expect well-trained people, even people who have gone on to a university and gotten a good college education to come back if there are not those opportunities back in that local community. So you have to have the school in the rural community that is flexible and then you have to have the economic base to attract them back into the rural community. So you have to work on both sides of the coin in these rural areas.

Mr. ENGLISH. Are all teachers the same?

Mr. KNUTSON. No, we have a great deal of concern that we are looking for a different type of teacher in those rural areas. We have a concern about a mentality that the goal of the rural teacher, of many rural teachers, may be to train people to get out of the rural areas. I mean, to escape from that rural environment and that is an unfortunate mentality to the extent that exists.

Mr. ENGLISH. The point I am trying to make is, you do not have the best qualified teachers that are going to be graduating from universities this year in the first place. They are not thinking about going, into a rural area.

Mr. KNUTSON. That is correct.

Mr. ENGLISH. That is not going to be high on the list of the majority. You may have a few that like the rural way of life and maybe will. That is a real nugget that you find under those kinds of conditions. So, what you may—is there not a—do we not have a system in which those teachers, simply because of the fact that their qualifications may not be as good, they may not be as good a teacher, at least on paper or they find themselves because of various circumstances, maybe they married somebody that was a farmer, or maybe they just cannot get a job in some of the better schools around. Maybe they just did not—they did not qualify on a list. The thing I am wondering about on this is the question of—young people that live in rural areas, are they assured that they are going to have overall the same percentage of good teachers that you would in some of the more metropolitan areas?

Mr. KNUTSON. No, they are not.

Mr. ENGLISH. So, therefore you have by necessity a discrimination that takes place against young people who grow up in the rural areas. Therefore, you end up with young people who—maybe their mother and father want to send them to Texas A&M, or Harvard or someplace like that, they may not have the qualifications to be able to deal with the field of their choice. As a result is that what we are facing in many of a——

Mr. KNUTSON. That is part of what we are facing.

Mr. ENGLISH. Does that not mean then, if we are in fact going to develop rural areas, if in fact we are going to give rural areas a future, does that not have to be one of the prime ingredients that we must have, is to be able to assure young families who move to rural areas, for whatever reasons, because of business or whatever, that in fact their children are going to be able to receive an education that is comparable to that which they would receive in an urban area?

Mr. KNUTSON. We certainly agree to that, definitely.

Mr. ENGLISH. All right. Dr. Michie, you mentioned integrating into an industrial base. The question that kept coming to mind is how? You gave me a lot of desirable stuff there. I agree with all the goals that you have. The question is: How do we get there? Have you any suggestions for me on how we are to do all of that?

Mr. MICHIE. Well, Mr. Chairman, I can certainly make reference to what we are doing on the southwest border to address this particular problem. We are well aware and live on a daily basis, this industrial competitiveness problem that is facing the United States as a whole.

In fact, in Ciudad Juarez, a mexican community contiguous to El Paso, Texas, we have more than 200 major U.S. corporations located, doing production sharing in Mexico. And that constitutes, in that market alone, a $6 billion market for materials. Now these materials are more than two-thirds source from the United States. And they are obtaining services such as tool and die from areas in Illinois, Ohio and other States throughout the United States, in which those facilities are operating at 85 percent production capacity. They are, in other words, operating at full capacity. We in our area are attempting to, in essence, penetrate that market. We have tool and die facilities in the State of Texas that are supporting oil and gas that are first class—and you also have those in Oklahoma—that are first class tool and die operations in machine shops. And yet, to take the case of Modesta and Middland, less than 250 miles from the border, from that market, those tool and die facilities are not sources for that industry.

Mr. ENGLISH. So basically what you are telling me then is that, and correct me if I am wrong, it is my understanding that most of these plants that you mentioned in Mexico, across the border in Mexico, are basically assembly type of operations, the product may be, the components may be made in the United States, they are taken across the border, they are assembled there and then brought back into the United States because of the low-labor costs. So what you are saying is that we have a lot of potential in a lot of communities for manufacturing the components, is that correct?

Mr. MICHIE. In the southwest region.

Mr. ENGLISH. In the southwest region.

Mr. MICHIE. And not only in Texas, New Mexico, Arizona, and California. And what we are attempting to do is put together a program to make our tool and die industry and machine shop industry that exists on the U.S. side of the border, aware of this incredible market. And we are doing this for a primary reason.

Mr. ENGLISH. What can we do in this legislation that would promote and assist in promoting that kind of a tool and die operation and converting it over to manufacturing of its components you are talking about?

Mr. MICHIE. Again, it is a lack of information for the most part, that the industry locally is not aware of this incredible potential. They are orientated toward the oil and gas industry, not aware of the alternative opportunities and this is why the recommendation for that market trade area data bank to identify the levels of demand, and bring the demand, the suppliers, together so that we begin to use the resources that are available.

Sir, we are going to have further growth and development in rural America. We have to have the infrastructure to support industry. And we have to have a total cost of business environment that enables our institute to be competitive. With tool and die we can attract other forms of industry because that is basic industry infrastructure.

Mr. ENGLISH. Dr. Wichert, you mentioned barriers of jurisdiction. What were you referring to, barriers of jurisdiction?

Mr. WICHERT. Mr. Chairman, mainly it is the fact that money is spent on economic development, be it targeted rural or urban areas, tend to localize within these jurisdictions. Your opening remark talked about limited resources. And I would contend that we are spending plenty already in the area of economic development. It is just not being successful because of the limited scope and the limited resources of any one jurisdiction, given the vast distances and the big problems that are needed to be addressed.

Mr. ENGLISH. Well, I am still not following you. What are you talking about, specifically?

Mr. WICHERT. Examples would be the SBDC program which is a Small Business Administration program which is charged with the duty of providing business assistance to small business, mainly. The placement of SBDC's is basically a geographic one based on jurisdictions. If your community is not fortunate to get one, you have basically lost out.

Mr. ENGLISH. Why?

Mr. WICHERT. Probably because of the past instances involved. For instance, myself sitting in Las Cruces, I can get to Chicago quicker than I get to the State capital in Santa Fe. And that also would apply to anybody in the rural community in southern New Mexico who wants to come to Las Cruces to receive business assistance. It is a big barrier to them receiving——

Mr. ENGLISH. I'm still not following—you are going to have to—In fact, what are you talking about? Walk me through this now. In fact what are you talking about? Are you talking about you can go to Chicago faster than you can go to Santa Fe? Well that is——

Mr. WICHERT. That is right, and——

Mr. ENGLISH. Given airline deregulation, I am not surprised about that. What else.

Mr. WICHERT. I was using that as an analogy for what goes on in southern New Mexico rural communities. Due to the vast distances involved, people in a rural community cannot take advantage of the money that is being spent in the small urban area of Las Cruces.

Mr. ENGLISH. Why?

Mr. WICHERT. Because of the distances involved. It is an all-day trip. It is often a psychological thing. For instance the cities of Las Cruces and Alamagorda are very close to each other, about 60 miles apart, but a large mountain range separates them and that is a psychological barrier. People do not go from city to city, but rather to El Paso, which is even further away than either of the two cities.

Mr. ENGLISH. I am missing something somewhere on this, but I——

Mr. WICHERT. Part of the problem is the fact that Las Cruces and Alamagorda are a market area, but businesses in the two communities do not realize they are in the market area, there does not exist any infrastructure to let them know what goes on in the market area in terms of business, business opportunities, what are the demographics, what are the public facilities.

Mr. ENGLISH. Well, how do we fashion a rural development program that is going to help on that? I mean that sounds like something that the local chambers of commerce ought to be getting together and understanding, or——

Mr. WICHERT. Unfortunately, they do not. What we are trying to do is to provide a vehicle which will allow those economic development entities within the communities to integrate, and that is the data base. Again, what the doctor mentioned——

Mr. ENGLISH. What is preventing them from integrating?

Mr. WICHERT. Nothing, except the lack of information and also——

Mr. ENGLISH. How does the Federal Government fit in with rural development and deal with requiring two communities to integrate that cannot figure out for themselves how to integrate?

Mr. WICHERT. I would say we should not require that, we should just provide the information. The Government spends lots of money as it is on collecting demographic and business information. But again that information is presented in a jurisdictional form, not a market area form. If the market area is identified, the strengths of that market area are identified and the weaknesses, then there can be progress.

Mr. ENGLISH. Whose responsibility should that be to identify it?

Mr. WICHERT. The responsibility should be private business and those chambers of commerce.

Mr. ENGLISH. OK.

Mr. WICHERT. We cannot sit in the ivory tower and say what is best for a marketing area——

Mr. ENGLISH. What is it that we in the Federal Government can do through a rural development bill that would help facilitate that?

Mr. WICHERT. We can facilitate it by taking the money that is being spent in the area of just one example, data collection. The census of population, the business census, and repackage that information so that it reflects the opportunities, the conditions within a market area.

Mr. ENGLISH. I see, so it is the assembly of the census information that would facilitate that.

Mr. WICHERT. That would be just one example.

Mr. ENGLISH. All right.

Mr. WICHERT. Yes.

Mr. ENGLISH. Thank you very much. Mr. Combest.

Mr. COMBEST. Thank you, Mr. Chairman. Mr. Wichert, you touched on some things in your testimony that have been concerns and an interest of mine, particularly for a long period of time, and that is the regional concept. We do not—we regionalized things somewhat in Washington, we do not stop at political boundaries, we do not stop, we do not let political parties interfere. I think we have a significant interest in west and north Texas and eastern New Mexico and Oklahoma, Congressman English's district, and those areas as well, and the fact that I think we have to—we have to pull together in some kind of a means about which we can develop a region and use all of the resources collectively rather than independently and I think many times independently it runs into being much less sufficient.

Sort of symbolic of this I guess is this panel, it is here from Texas A&M, New Mexico State University, University of Texas at El Paso, in a building provided by Texas Tech, University of Lubbock. The way that we can tie it unquestionably, we can pass a great rural development program, we cannot do it, we cannot implement it without the resources that you people and others like you, that was alluded to your testimony, have available to you. You are probably one of the greatest resources we have available.

I do not know how familiar you are with the connection and the time Texas Tech has done in west Texas between Odessa and El Paso, Amarillo, and Lubbock, and a network of establishment and it goes toward rural hospital programs and care, the limitations on it are virtually nil, we can develop that into business or we can develop it into educational programs, whatever it may be, and it is a good step in the right direction, but it begins to link together common interest that in the past that have basically been separate. And I think it is very important that we focus on a regional area.

I also think it is extremely important in rural development, this is where I think we need help. Most of the time when we talk of development we have a tendency to think about what can we attract to move into an area. We are always interested in that. But we, over time, over look many times that existing structure and backbone of an economy that is existing in a city and has been there for years. And we go out and create unfair competition for them, sometimes by bringing in and trying to attract people. In a community that is 3,000 people an expansion of an existing facility that employs 20 people is worth a new industry in a larger community that may employ 200. And we are not always focusing on what can we do to expand the backbone of the community that we always have, we can make some in conjunction—and providing

them the same opportunities we might provide a new industry that wants to move in. We have always looked at it on itemized, we think, well if we provide the funds, everything else is going to be there, but we have not looked at the overall structure, the structure of the community of the life, the type of—quality of life in a community, education, transportation, medical facilities, those other things, the availability to natural resources and man made resources that have to be there. I think we need to reemphasize the interest, not deemphasize from trying to attract new areas and ideas, but reemphasizing on maybe what we have that continues, I think, to exist there.

There is a feeling, I believe, overall that we have to do this, that we are trying to pull this together and basically the approach that we are taking now, we can bring under one umbrella, under one parent organization a group or something, a total rural development package—but I am glad you are here. I think it is significant that you were the first panel, because without the educational facilities and the resources that are available to you, simply are not to us, we are not going to get anything off the ground without your help.

No specific questions, but I am interested in your testimony because it—we are all sort of on the same wave length. Congressman.

Mr. SARPALIUS. Mr. Fisher, I was very impressed with your remarks on education. And one remark you said was about how our rural schools were teaching skills, encouraging students to move into the urban areas. What type of skills are you talking about?

Mr. FISHER. Well, what I am really thinking about to some degree is just the orientation of the teaching. For instance, as you go through your various subject disciplines, those—where do you use the college prep algebra course, well do you use that when you go to college. You do not necessarily as is, right there in the local area, compared to say the kind of training you would get, say, out of a Vo Ag program, where you would go through some of the same algebra concepts learning how to figure, and trigonometric concepts, learning how to figure the pitch on a loafing shed roof. So, what it amounts to is—the other major area is that to a large degree our schools do not teach entrepreneurship, a subject that in fact will lead to entrepreneurial skills for people. And a large number, a large percentage of the jobs in rural areas in fact involve self-employment. So, entrepreneurial skills are very critical. I think we need the entrepreneurial skills teaching in our urban schools as well, but particularly in the rural area, I think you need those kinds of skills.

So, that is the kind of thing I am thinking about, that is a problem.

Mr. SARPALIUS. In your written testimony, you talk some about dropout rates, how they have increased. Do you have any type of data or anything that will show whether or not the dropout rate in the rural schools is higher or lower than what they are in urban schools?

Mr. FISHER. As a matter of fact, we can supply you with some of that information, and you will be hearing from an educational panel later and I believe Mr. Kronkofsky will have, probably will have some of those statistics for you, but we can get you some of

those kinds of numbers. But rural schools are definitely doing, experiencing more difficulty with dropout rates.

Mr. KNUTSON. I think you will find the highest drop out rates in the center city schools, than in the rural schools, the lowest in the suburban schools. So there is a major problem in rural schools with higher dropout rates.

Mr. SARPALIUS. Why is that?

Mr. KNUTSON. That is a very good question. I suspect it is a whole complexity of factors.

Mr. SARPALIUS. This is not your problem. [Laughter.]

Mr. KNUTSON. A whole complexity of factors related to, in part to off-farm demand—out of school demands on the children, a lack of emphasis placed on the importance of schooling at home. This is part of the reason why we say that the schools should be a center for complete educational package, so that the family, as a whole, is involved in the educational process in rural areas. And in a way in which we can increase the base of human capital in total, in those rural areas.

So we place more emphasis on community education in dealing with the problems of that whole community, and in bringing the whole community along and thereby instilling on everybody the importance of the educational process to that community's development. And that is really what we are seeking when it comes right down to it.

School consolidation is fine, but there are other ways to use schools than just K through 12 education. And we ought to utilize them for those broader purposes in education in the community.

Mr. FISHER. There is pretty strong evidence too, to link the educational levels of parents, of adults, and the performance of the children in their orientation for the board of education. And some of—and one—as we talked about a lack of human capital in rural areas, what we are talking about is not only difficulty with the areas of K through 12, but we are talking about a real shortage of human capital among the adults. That is, you do not have the leadership there to deal with a lot of the challenges that are coming down the pike toward rural communities. We have mentioned here the international competition that we are experiencing in putting pressure on our industries in rural areas, that is very much the case and to a large degree the people that are handling these companies and the public officials are probably not in a strong position to deal with those kinds of forces. It is a new idea that in fact there competition is not in another State or in another county, but in fact is in another country.

Mr. SARPALIUS. I find it interesting that both of you can spread some concern of possibly a higher percentage rate of drop outs in rural schools versus urban schools. Because I had always had the opinion that rural schools were doing an excellent job of—they are actually the smaller teacher/student ratios than what there are in urban schools and they probably do a little bit better job of working with students one on one, than what you probably see in a lot of urban schools. But if the courses that are being taught is one of the main reasons, it goes back to what Chairman English was talking about: How do you justify, how can you pay for broadening those courses?

We have a problem here in Texas that a lot of our schools are funded by a local tax basis and by the State helping pay for part of the cost as well. But when you have areas where there is depressed agriculture, depressed oil and gas, you cannot pay salaries high enough or above base pay to attract those good teachers into those rural schools, or if you want to add an extra course such as to teach a foreign language or something like that, the local school district has to eat that cost. And the money just is not there.

But it would be interesting to see what type of courses would be good for a rural school to teach, to add to their curriculum in a rural school. It might create a better incentive for these kids to stay in school as well as to hopefully urge them to stay in the local community.

Mr. FISHER. Part of your reaction may be from the fact that you have some of the the strongest rural school districts in the State of Texas in your particular district. Those eight counties that we are working with in the northern panhandle basically, are very very strong. One of these, I believe, one or two of the counties showed some weakness, but the rest of them basically were putting in very strong performances.

Mr. KNUTSON. But a tremendous amount of pressure to consolidate at the same time and a great amount of resistance to that, and the question in our minds as to what are the alternatives. Do you have a broader role that that school can play in education that serves as a basis for a continuation of that unit in serving a broader community function.

Mr. ENGLISH. Thank you, Mr. Sarpalius. I want to thank each of you gentlemen for testifying. We appreciate it very much, very helpful to us.

Our next panel is a bank panel dealing with the question of financing rural development. We have two witnesses, Mr. Tom Battin who is president of the Plains National Bank in Lubbock and Mr. John Cluck, who is with the First National Bank of Perryton. So, if you two gentlemen would come forward, we would be happy to receive your testimony. Mr. Cluck, why do we not let you go ahead with your testimony, if you would please.

STATEMENT OF JOHN T. CLUCK, PRESIDENT, FIRST NATIONAL BANK, PERRYTON, TX

Mr. CLUCK. My name is John Cluck. I am from Perryton, Texas, a community of 8,000 in the northeast corner of the Texas Panhandle. I am also chairman of our holding company and we also own a bank in Hartford and a branch in Brooker.

Mr. Chairman, I would like to express my sincere appreciation to you and your committee for conducting this hearing on rural development in Amarillo. I would also like to thank our Congressman, Bill Sarpalius, for his efforts in holding this important meeting in the Texas Panhandle.

Mr. Battin will address the financial systems that are currently in place to promote commerce in our rural communities. It is my opinion that the private sector, along with Government loan programs and guarantees are doing an adequate job. However, a quicker response time from FmHA, under the B and I program,

would be helpful. Also, a simplification of the application process, so that the average people will not be turned off in applying for credit guarantees, would increase participation.

I believe that if we are going to promote the business investments in our rural communities, risk capital needs to be invested along with bank credit and Government loan programs. The availability of credit is not the problem, every bankable request in this area is reviewed in a very positive light. Our bankers are giving their communities a full hearing on each request and suggesting viable alternatives if the request cannot be handled without some outside help.

In order for rural communities to survive, we need to emphasize more than loan programs. Venture capital firms need to be encouraged to invest in rural America. Why not give tax incentives, such as income tax moratoriums, to those companies willing to place risk capital in small industries in our rural areas? Many times it takes a little seed money to provide the impetus to start a new business.

Putting financial concerns in rural development aside, I would like to tell you about a pilot project which is being conducted in my area of the Texas Panhandle. Through a grant from the Kellogg Foundation, we have implemented a study of a four county area in the north central Texas Panhandle. Dennis Fisher and Ron Knutson, who are associated with Texas A&M are providing the expertise in mobilizing the efforts of community leaders in the four county region. We are developing a strategic plan with goals and objectives for improving and promoting growth in our region. This study will take 2 or 3 years and draw on outside help throughout the State, the Nation as well, in developing and refining ways to achieve our goals.

This is a giant step in the right direction. It is forcing us to think in a more regional concept. Common problems know no county lines and collectively we can accomplish more than we can individually. The topics that we will be studying in our four counties are as follows: One, business retention and expansion; two, business development and industrial recruitment; three, health care; four, education; five, tourism; six, natural gas; seven, solid waste.

In the final analysis, people make the difference. Communities which do not want to go that extra mile to better themselves, will not grow and prosper. Not all small communities are going to participate in the growth of the 1990's, because some communities are very satisfied with things the way they are. However, for those of us who want a better business climate and more progressive place to raise our families, the Government does have a responsibility. We may not be large in numbers but many of our citizens are strong in their resolve to do something positive to make a difference in rural America.

[The prepared statement of Mr. Cluck appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Cluck. Mr. Battin.

STATEMENT BY WILLIAM T. BATTIN, PRESIDENT, PLAINS NATIONAL BANK, LUBBOCK, TX

Mr. BATTIN. Thank you, Mr. Chairman, I appreciate the opportunity of being here this morning and listening to the comments of the other panels. I would like comment along the lines that Congressman Combest in his response to the economic panel did a few minutes ago. That is I feel that the greatest opportunity for economic growth lies in developing the resources that you have available to you, rather than bringing outside industry into the area.

I think the greatest economic strength our area has, and has always had, is its ability to produce an abundance of agricultural products, raw materials if you will. The opportunity lies in adding value to those products. We have limited our economic potential by not concentrating, I think, on ways and means to develop industry that will add value to those agricultural products.

I have gone into some detail in the written report that I have left with the staff, but let me just summarize by giving you a couple of examples.

The American Cotton Growers Denium Mill, developed in Littlefield, Texas in 1976, I think is an excellent example of what can be done in a rural area, to develop the natural resources that are there. With the help of the Farmers Home Administration, a guaranteed loan, this mill was established and from 1976 to 1987, added $114 million to the value of producers cotton in that area. When the mill was sold, another $12 million was distributed among producers, having a tremendous economic impact on the economy of that area.

Only about 11 percent of the cotton produced in Texas is processed in Texas. About 55 percent of the cotton produced in Texas goes to the Far East for processing, missing a real economic opportunity.

Another exciting example of what can be done is a new industry that is developing in the agricultural economy in west Texas and that is the production of wine grapes. Through extensive research they learned that the climate, the soil and lack of humidity, the high altitude, all of those things lend themselves to the ability to produce really world-class grapes in west Texas.

Added to the incentive of this is the fact that the cash-flow from those crops is like more than two times that of cotton. The use of water is like 50 percent of the water used for cotton. It is an excellent supplement, or an alternative to the traditional crops that we have had. However, essential to developing that industry is winery's and that means capital. Now three winery's have been established. Two of those at least have been established with the help of loan guarantee programs. Farmers Home Administration is playing a big role in the newest winery. I think this represents an excellent opportunity for economic development.

Now that brings me to the reason for my talking with you. That is, I think that the programs for loan guarantees for getting loans available to these industries, I think those programs are in place. The problem that I think exists is the difficulty in accessing those programs. We have the Farmers Home Administration, we have the Small Business Administration, we have the Federal land

bank, those are good programs. There is duplication. There is some competitiveness, but there is a great deal of difficulty, perhaps because of lack of education, in accessing those programs.

I am not being critical of the personnel involved in those agencies, because I think they are very motivated to give service to the area. But it takes, if everything is done absolutely correctly, it takes at least 90 days to get a guarantee through the Farmers Home Administration. Typically, it takes 120 days. That is not because of a lack of cooperation, it is because of the administrative requirements that I think have been developed within those agencies.

My suggestion to you is that it would be appropriate to create a high level study of those agencies. Focus on the administrative efficiency, focus on the time required to process applications, focus on the possible duplication within those agencies which might, eliminating that, might achieve some economies and delivering what Congress intended out to the rural areas.

So, I think the programs are available, but I think they need to be looked at. Appropriations for guarantees have been severely curtailed. Under the Nixon-Ford administrations, they were many times more than what they are currently. It seems to me that a loan guarantee is much more efficient use of Government funds than direct lending or direct assistance, because in most cases those funds are repaid.

The second ingredient, as my colleague here has mentioned too, developing these value-added industries in the rural areas, is venture capital. The tendency of venture capitalists is to go to the metropolitan areas, because they are more familiar with opportunities there and they are attracted there.

Tax incentives perhaps would stimulate some interest in the rural areas. Certainly the banks are going to do their best to meet the needs of their area, however, we are all very familiar with what is happening to the banking industry in the Southwest. And the out of State holding companies that have acquired the major banking institutions in this State, their focus is upon the metropolitan areas. And it is up to the smaller independent banks to serve the needs of the rural areas. So they have a greater need for the assistance through loan guarantees.

Those are my suggestions to you. I think that with an effective loan guarantee program, incentives for venture capital, you will find some real opportunities to develope the resources that we have in the rural area already.

[The prepared statement of Mr. Battin appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much. Mr. Battin, you were mentioning administrative efficiency with the Farmers Home Administration, the time of processing and so on and so forth. Of course much of the Farmers Home Administration is geared toward making loans on farms. That is its primary focus. And I am thinking about the counties, as such, and rural communities. That is where most of their folks are; as opposed to business loans. But I think it makes some sense in separating out the business aspect of Farmers Home, as opposed to the more traditional types of loans.

Mr. BATTIN. Not necessarily to separate it out. I think again, that there is a vehicle there. The act of 1972, I think, created the business and industry division of the Farmers Home Administration and that is really what I am focusing on, because that would come within their jurisdiction. I talked about duplication. The Small Business Administration gets involved in farming. I think in the Carter administration they were given the Disaster Program, which I am sure there was good reason for that, but there is some duplication; I think the business industry program is a good one. The administrative problem that I referred to is simply the system by which they process applications. It goes to the county and to the district and to the State and to Washington. And they all have to do their own analysis. Environmental impact studies take a tremendous amount of time. It is hard for me to see how a winery affects the environment, but those studies have to be done. I am just suggesting that things might be examined to see if you can achieve some efficiencies.

Mr. ENGLISH. Well, we hear complaints from some people that their county director of the ASC—of the Farmers Home, is not geared toward making loans for small businesses. That is just not his thing and that is not what he is interested in and that is not what he sees as his primary job.

Mr. BATTIN. Perhaps that is something that should be examined, maybe it is not appropriate to be in the Farmers Home Administration. But the problem with the SBA's program is that their guarantee is limited to $500,000. I think the cotton mill that I referred to, took like a $40 million—so the SBA just does not have the ability to address the kind of financing, I think that industry needs.

Mr. ENGLISH. OK. Mr. Cluck, you were talking about that you thought there was plenty of money available to invest in businesses, but we kept getting complaints. I have gotten a lot of complaints in fact from people in our part of the country that money is being taken out of this region. That in effect, their banking system has been nationalized over the past 10 years with all the activity, the FDIC, we have a lot of banks that have moved in. I have, particularly in Oklahoma, we have a lot of banks that have come in from the east and west coast and they are just literally sucking money out of this part of the country. You have not found that to be the problem in the Perryton area?

Mr. CLUCK. Mr. Chairman, when I moved to this area in the early 1970's, we were a capital deficient area. We did not have enough deposits to fund our loan demand. We had the self-participation downstream to the larger banks and also time to do the Federal Reserve, through their discount program. That is not the case now. And I think, and Mr. Battin would agree, that there are available funds in Lubbock, as well as Amarillo, as well as all the outlying community banks. Our loan deposit ratios are a range from 40 to 50 percent, we would like for them to be 60 and 70 percent. The availability of money funded by the deposit base is evident to me here in this area.

Now, the problem being is that our underwriting standard are a good deal more stringent than what they used to be and had to be——

Mr. ENGLISH. Well, the bank examiners will not let you make loans that you would have otherwise?

Mr. CLUCK. Well, we probably should not have ever made them anyway. This is a cash-flow environment we are in and traditionally we were asset based lenders up until the 1980's, and now we have become a cash-flow lender and collateral does not pay a loan, cash does. And I think probably, although I certainly want you to sympathize with our plight here because we have had some terrific depreciation in the value of our assets, which has affected our loans drastically. And other parts of the country may not have had those problems. But basically, we are all looking at credit differently than we did in the past 30 years.

Mr. ENGLISH. Well, what do we do then with a case like Mr. Wichert was talking about a while ago. We have a tool and die operation that has been geared up for the oil business and that is where they were making their money. That is what they had their background in. Now, as I understand it from what Mr. Wichert was saying, now we have an opportunity to change that business over and go into making some components to be assembled along the border, in a small rural community, where this tool and die operation may have existed.

Now, as I understand it, any kind of business, particularly in this region of the country, a new business that is going to be started up, that sort of a drastic change over in business, would have to gear up substantially to be a real player in that kind of an environment. That is going to take a lot of money. And from what I understand, the way it is viewed by bank examiners, investors, and everybody else, investing in rural communities is risky business, very risky business. Now, where are we going to get the money to make that kind of a change over that Mr. Wichert is talking about for a tool and die operator in a small community, who may see his future lying with manufactured parts to be assembled somewhere along the border? If we are talking about that kind of competition, it is not likely that his rural bank is going to be wanting to make that kind of heavy plunge.

And would he not, would they not also, even if they/he were willing to make that kind of a gamble, is it not also true that the bank examiners would be quite critical of that kind of investment?

Mr. CLUCK. Yes, that is correct. Capital loans based on 100 percent of the contribution, with the owner not contributing a whole lot, are not looked upon favorably by the banking industry. This is where I think the capital venture concept may come into play. This is just an idea that has hit me fairly new and I do not know how we attract it, but I think we have to make it very dramatic. I think we have to put it up like a neon sign and say, venture capital has come, put a little seed money in rural America and we will give you some tax advantages or incentives for doing it.

Mr. ENGLISH. Well, we have a little problem with a thing called a budget, budget deficit, and whenever we start saying, OK, we are going to give this group tax incentives, that means we are not going to have revenue coming in that we would otherwise have. And when we do not have the revenue coming in then the budget deficit goes up and we have a little thing called Gramm-Rudman that kicks in and we have all kinds of problems.

The thing, it seems to me, is that part of the difficulty we have in working this problem of rural development, is that it has to be done in the context of the political reality that we face from the standpoint of budget deficits, Gramm-Rudman requirements and things of that sort. And so it is tough to kind of get around that, with the more traditional type of approaches, with tax credits or anything that might reduce the amount of revenue that is coming into the Federal Government and of course we would be talking about a substantial amount.

Also, the question comes to mind, if in fact we are going to create jobs in most of the local communities, not every rural community, certainly not in my district, has one of those tool and die operations that Mr. Wichert was talking about, or anything along those lines that might be adjusted and changed over to develop the widgets that will be assembled along the border. We have that in some places. A lot of the communities, quite frankly, do not have any big industry of any sort. We are all scrambling. I have, I suppose, most of the communities in my district, just like here in the Texas Panhandle and most other rural areas around the country, scrambling around trying to attract some kind of industry to come to town. There are not that many businesses moving.

There are not that many adjusting, so there is not enough to go around and probably there is not even enough to address 10 percent of the demand that you have from these communities, probably a lot less than that.

So, it would appear to me that the best chance that you would really have, if you are going to develop jobs in most of the rural communities in this country, comes down to the question of: It is homegrown. The so-called cottage-type industry, folks that may have a small concern going that might be able to expand and grow if you give them a little expertise and support. With that kind of cottage industry can you, say in Perryton, can you finance that kind of operation, or will the bank examiners give you a hard time again?

Mr. CLUCK. It is difficult on a startup business such as what you referred to. Although we have had some good help out of SBA. I have not participated in very many FmHA programs under the B and I program, but SBA has been of some definite help. There again, they are going to want some up front money. They are going to want about 25 percent of capital or other assets contributed to the loan. And that is normally a problem for a startup business.

Mr. ENGLISH. Well, let me also ask you, from the standpoint of guarantees, and this is, from a budget standpoint one thing we can do, it does not get us into a lot of trouble from a budget standpoint, we can get in the guarantee business. We also have other money that is available. And you gentlemen being bankers, I know have not been too excited in the past with the relationship between the Farm Credit System and the banking industry of this country.

Are we into a situation that bankers would welcome the involvement of the Farm Credit System in this kind of an operation, particularly with the kind of high risk loans which might include guarantees, perhaps even the development of something along the lines of the secondary market that we saw created a couple of years ago under the Farm Credit legislation? Either one of you.

Mr. BATTIN. Well, I think that as Mr. Cluck indicated, that funding is available through the banking institutions in the community. I think that in order to make it a sound loan, as you refer to the examiners to pass their scrutiny, it needs some enhancement. And the guarantee program is the enhancement that——

Mr. ENGLISH. How much of a guarantee would it take in your opinion?

Mr. BATTIN. Well, that depends on the financial strength of the project, the ownership, a lot of things. Obviously the bank would like to have 90 percent, somewhere between 70 and 90 percent perhaps, depending on the situation.

You are speaking of cottage industries and developing the business that is already perhaps in the community. I think that is exactly what we are talking—taking in our case agricultural products and applying added value to those through some processing, packing, marketing, whatever.

Mr. ENGLISH. If you had some 90-percent money available today, or even 80-percent money for that winery project that you are talking about, do you think you could make it a going concern?

Mr. BATTIN. That is what we are in the process of doing right now.

Mr. ENGLISH. Very good, thank you. Mr. Combest. And you can take it up with the winery business from here on.

Mr. COMBEST. After I tell you this story Tom. I recently met a lady who was German from the Embassy, our Embassy in Germany, she was the protocol officer. She found out where I was from and said the best wine she ever tasted in her life came from Lubbock, Texas. I thought that was pretty good.

Mr. BATTIN. Pretty good observation.

Mr. COMBEST. Most people outside of Lubbock think it will and call it Chateau de Bubu or something of that sort. I think that, I do not disagree that we have a number of agencies out there that are helping provide funds, we know this in the industrial programs. I believe we need to look carefully though at maybe getting some of those out. I really want us to, as we are developing a rural development package look at potentially getting Farmers Home Administration out of the B and I loans. Because they are short handed first of all, where they do not have enough people. Their main objection is to deal with agricultural loans, the funding is a problem, they do not have enough money in the appropriations to deal with loan guarantees. You have SBA who is doing some of this. You have others who are doing some. I think what we need to is try to maybe consolidate a rural development program, business, industrial, whatever we decide to call it and under what umbrella and put them in the main business of that being their priority, of how they are going to deal with it. If we can pull together all of these funds, they might go further.

The Farm Credit Administration as being a, more of the—we do not want to create a whole new bureaucracy, but if we can go to the existing group, Farm Credit Administration has been considered as one of them through either land banks, PCA's whatever it may be and in a community that is already existing there and let this hopefully be an umbrella, we are all going to have to expand

their interest beyond agricultural loans. But I think that we can make more efficient use of the money that is available.

What we do want to be careful in doing is sort of like do we want to create a new incentive for a business to move into a community and give them unfair advantages and an existing business in competition. We do not want to do the same thing with Government with your business. You are in the business of banking, you are in the business of loaning money, we do not want to make the only alternative available, Government money.

I would theoretically hope that they would come, be able to come to you first and see if it is a venture capital loan, whatever, that would meet examiners demands and requirements. Whatever it may be, and see if it is a loan you can handle.

That is, we have always had these programs of only as last resort, sometimes they work and sometimes they have not. But we have to make for certain that we do not put up a Government lending operation that is in direct competition with you as bankers and other people that are in the financial community.

So, we have to develop that program so that there may be some funds and/or guarantees available, but that we do not make it an unfair advantage to you.

In the areas I think where there have been rural development programs in the past, we have many times looked at just the amount of funds that may or may not be available for a business, but there is a lot of other start up costs that those businesses may have. I know that in a lot of areas the B and I loans and guarantees have worked extremely well, but I think we are going to have to have some really good and strong input.

Tom, I think there are a lot of people that would argue that the funds are not available. A lot of those people who cannot get the loans of course, and each loan has to be looked at on a careful basis. And we do have a budget problem and budget constraints. The guarantees seem to work better in a number of these areas, if in fact we can get them, but we have to be as resourceful, I think, as we can. I do not disagree that the tax incentive side is a good thought and a good idea. I think maybe that has to be—we expand that to an existing business for growth purposes so that we can provide them the same kind of opportunities, but it is going to be really really difficult. I think very honestly, the others may disagree with me, but it is going to be very difficult to make a tax code change that is read as a revenue decreaser to the Federal Government, whatever that may be and for however great that that program may be, we may think it is wonderful, it is going to be awful tough to make those changes.

But we are going to have to come up in a time of budget crunch and at a time we need to do all we can do for rural communities to have something creative that we have never had before. I think we need to sort of look at everything that is out there now, put it on the table and see what is working. But we need to be awfully critical not in terms of a negative, but in terms of where we need to make changes in current and existing programs, so that hopefully they are going to work in the future because we have a real plight out there with this problem.

Mr. BATTIN. Have there been studies, Congressman, to explore whether tax incentives actually represent a decreased revenue in a situation where the tax incentive brings investment, creates the industry, creates profits and jobs, which generate taxes?

Mr. COMBEST. We have a little problem up there right now that we call capital gains and there it depends on which side of the issue you are on as to which figures you want to use. I do not disagree with that though. I do agree that that is true. Tax incentive in the energy industry is the best thing we can do in order to actually get where we want to be, but we are going to have an awful tough time just getting over it, that is true. The figures are there, but that sometimes makes it extremely difficult.

Mr. ENGLISH. Good point, thank you, Mr. Combest. Let me say very quickly before we go to Mr. Sarpalius. I do not disagree with that either. The problem we are dealing with though is the question of whether the Congressional Budget Office, and more importantly the Office of Management and Budget agrees. That is the real key, because they are the ones who do the bookkeeping and they are the ones who do the scoring and they say, "Yeah it creates revenue or it creates a decrease." And it may be some time, this is part of the argument we get into on capital gains, it may very well be that 4 or 5 years from now it will generate revenue, but next year it is going to cost us revenue. And the real problem that you deal with, with the budget unfortunately, is what happens next year, not what happens 4 or 5 years from now. If we are going to take this hit now to get something in 4 or 5 years, that means we are going to cut someplace else or we are going to generate revenue some other way to offset, it has to be offsetting. Unfortunately it is a problem.

Mr. COMBEST. But that would be an awful lot of problem of Government. In most of next year, it does not look in the out years and we would like to change some of that if we can. That is true, that is exactly true.

Mr. ENGLISH. Mr. Sarpalius.

Mr. SARPALIUS. Thank you, Mr. Chairman. Mr. Cluck, in your testimony you were talking about the FmHA, how if you wished it—you said you wished we had a quicker response from FmHA under the B and I programs. Tell me about some of your problems with that.

Mr. CLUCK. Well, there again this is just talking with bankers around the area primarily, Congressman. I think we had one B and I program loan several years ago and it is a lengthy application. It takes the help of a CPA to complete it, in my estimation. And the response time, as Mr. Battin referred, is 90 to 120 days. It just seems to me that some of the redtape could be cut out of that application to where maybe we might get a preliminary word on it early on so that we did not spend a lot of the peoples money and time and accounting fee, trying to prepare the thing and see whether it is going to be approved or not.

I personally have not had a lot of experience with FmHA, but I know some my banker friends that have and this is what they tell me.

Mr. SARPALIUS. I am curious, from either one of you, we just completed the drought bill, it is on the President's desk, and in there

are some moneys, about $500 million that will be available, 90 percent guaranteed loans or basically for small businesses in areas that were affected by the drought. Now, do you as bankers, do you try to when you see something like that, do you try to identify small businesses in your community that could utilize that, that could grow, prosper? You probably have a better feel as to the financial strength of small businesses within your community, do you try to contact them, do you try to let people know about programs like that are available to them?

Mr. CLUCK. No, frankly we have not been very active in that area. This is something new, right?

Mr. SARPALIUS. Yes, this is new.

Mr. CLUCK. Right on the table.

Mr. SARPALIUS. But let me say that I think from what Chairman English said, and I am new to Congress, but I anticipate that guaranteed loans is an area that they will probably look at moving more in that direction.

Mr. CLUCK. Right.

Mr. SARPALIUS. And I see it as a great opportunity for small businesses, in any rural town small businesses are vitally important to the growth of that community. And my concern is if Congress develops these programs, I would hope that the banks in those communities would seek those programs and you would be able to identify businesses that are growing, that are at a point where maybe they need a little bit more help, they could hire more people, they could make an expansion, they could do whatever, as well as in the processing of agricultural products locally, such as what was mentioned in your testimony.

Mr. BATTIN. If I could respond to that just a little. I think you will find, when that program is implemented, that most of the people who are eligible will have some relationship with a banker already, the banker will probably be in trouble, because of the difficulties they have had as a result of a drought, or whatever the disaster is. And I think you will find that the banker will be aware of the program and will encourage involvement in the program, partially to help the businessman and partially to assist the bank in working out his existing debt. I have had some experience with that in disaster programs of the past and I found that the bank was actively initiating getting under the available guarantee programs. So I think you will find bankers cooperating and pleased to work with that.

Mr. CLUCK. We would appreciate, Congressman, this information being made available to us and we would be happy to convey that onto our customers through town meetings and seminars and look forward to it.

Mr. SARPALIUS. I do not know how much Congress has done this in the past, but I see this in that particular bill, this great opportunity for small businesses to expand. And if it works, maybe—I would hope maybe Congress would look at doing this more, because if small businesses can grow in those rural towns and can help, could help encourage more people to stay there, it is going to help that community and everyone.

Mr. CLUCK. Most of our growth potential comes from the businesses that are currently there, I agree with you.

Mr. SARPALIUS. And especially in the area, I think, of processing agricultural products, which you expressed in your testimony.

Mr. BATTIN. I think that one of the things that would really help a guaranteed program is to give some reliance, or some responsibility, to the local lender for underwriting that particular loan. For example, the Small Business Administration has a program where the bank can actually underwrite the loan and based on the SBA's experience with that bank, will accept their decision on the viability of the loan.

Farmers Home Administration, under their program, they do not give any credibility to the bank's underwriting. Which, I think, prolongs the application process, so I would encourage you to consider that aspect of it as these guarantee programs are implemented.

Mr. SARPALIUS. Let me express one more point and then I will be through. Congress is looking at a proposal which is known as the Clean Air Act, which could have a very significant impact to our region up here, because of the high amount of agriculture that we have and also the natural gas. If that proposal becomes a reality, it is going to force this country to look at higher productions in ethanol and methanol.

And here again is an opportunity that I hope this committee will look at, on maybe finding or providing some guaranteed loans, encouraging producers, agricultural producers as well as those people who have access to natural gas, to look at the market producing that ethanol and methanol here on a local level, instead of shipping that gas out or moving agricultural products somewhere else and have the process somewhere else. But I see down the road a tremendous opportunity for our area in the production of ethanol and methanol if that legislation does indeed become a reality.

Mr. CLUCK. Very definitely. We are going to have to go to something other than wheat, millet, and corn, if we are to survive in this area, I think.

Mr. SARPALIUS. Thank you, Mr. Chairman.

Mr ENGLISH. Let me say very quickly that I had the honor a couple of weeks ago in California to host a panel of energy producers who were looking at the southern California situation. Evidently southern California, regardless of what happens from the Federal standpoint, is moving in this direction. They are going to come up with some very strict environmental requirements which will require huge amounts of natural gas.

I think that is a very key point for this particular reason. Those of us who are part of the Anadarko Basin, in particular, have a huge amount of natural gas to produce, so we are very very enthusiastic about that and we think we have an excellent chance, both Texas and Oklahoma, in fact we even have people from Canada participating in this effort. That appears to be the next, I do not want to say boom because I do not want get—sustained growth. Substantial sustained growth, that we may have an opportunity to deal with. So I think that is a real question.

I want to thank you gentlemen, your testimony has been very good and you have been very helpful to us. We appreciate that and thanks again.

Mr. CLUCK. Thank you.

Mr. BATTIN. Thank you.

Mr. ENGLISH. Our next witnesses is a panel made up of people primarily from the utility industry. We have Gary Gibson from Southwest Public Service company here in Amarillo, Jim Morriss from Texas Electric Cooperatives in Austin, Phillip Klutts, who is with the Oklahoma Rural Water Association in Oklahoma City, Bob Jackson with Public Service Co. of Oklahoma in Tulsa and Tom Duck who is with the Texas Rural Water Association from Austin.

I want to welcome all of you gentlemen. I think we have enough microphones, we will gather everybody close. We will kind of look through the cameras at you folks over there.

Mr. Gibson, we will let you start this off if you do not mind. And again, we would appreciate the cooperation of all the witnesses, try to keep it under 5 minutes. And those of us who are Members of Congress, we are going to try to keep ours under 5 minutes too, I think we have been doing a lot worse than you have.

STATEMENT OF GARY GIBSON, VICE PRESIDENT, MARKETING AND ECONOMIC DEVELOPMENT, SOUTHWESTERN PUBLIC SERVICE CO.

Mr. GIBSON. Chairman English, members of the subcommittee, my name is Gary Gibson, I am vice president in marketing and economic development for Southwestern Public Service Co. I appreciate the opportunity to testify on rural economic development before you today.

Southwestern Public Service Co. is an investor-owned utility company that covers 52,000 square miles of Texas, New Mexico, Kansas, and Oklahoma. The SPS territory is predominantly rural. Over 20 percent of SPS's retail customers reside in unincorporated areas and communities of less than 1,500. Over 47 percent of SPS's customers reside in communities of less than 20,000. And 58 percent of our total revenues come in retail sales to rural areas of less than 1,500 and wholesale revenues from electric cooperatives.

Our company's future is firmly wedded to the economic health of the region we serve. This partnership of interests makes the stimulation of local economic growth an essential key for company growth.

We have a vital interest in the development of sound, effective legislation that will leverage the ongoing efforts of rural community economic development. Rural America, like its urban counterpart, has some thresholds which have to be met before economic growth can occur or economic decline can be stopped.

Adequate infrastructures for water, sewer, and roads, education and job creation must all occur for any effort to be successful. SPS maintains an economic development program, which provides direct assistance to rural communities who are seeking to assist their local economies.

A complete description of our programs are included in a written presentation. Our services include targeted market surveys, trade shows, marketing coalitions, training programs, and technical assistance to access resources.

As a company, we have a staff experienced in conducting the day-to-day activities necessary for regional and local economic developments. As an example, we have two regional economic development coalitions, the high ground of Texas and business quarter of New Mexico, which are now currently working with our small rural communities.

We feel that any rural development legislation must provide equal access to all programs, features for all qualifying rural communities. We are adamant that available funds should be channeled as much as possible away from duplicative administrative costs.

Why should new government structures add economic development staff to oversee and administer a program component when State governments already have staff people to administer a similar program? Why should another layer of government structure be created to do business plans when Small Business Development Centers, State departments of commerce and some councils of government already serve rural communities in this capacity?

The need for additional staffing to serve this purpose may exist, but it would be extremely more cost effective to fund adequately those programs already in existence rather than to begin at square one and to develop another resource that will lack the means to meet the full demand for that service.

In S. 1036, rural electric cooperatives are identified as a channel for rural incubator funds. Since many rural communities are not served by rural electric co-ops this is not an equitable delivery system for those funds.

I think it is fitting to address the concept that nothing is being done for rural American cities. I will agree that more assistance could be available, but there are several programs that do a good job for rural communities and which should be considered if additional Federal dollars are allocated for the purpose of rural economic development.

For example, the HUD funded Community Development Block Grant Program, CDBG, provides infrastructure assistance and a revolving loan fund for economic development projects in communities of 50,000 or less. Let us streamline and improve these programs, that we have for rural America and strive to provide a level of funding that more adequately matches the level of the needs identified in those communities.

What kinds of assistance could rural cities use? It is a given that having more funds available for loans and having loan programs that meet the requirements of rural communities would be useful. However, in addition to more loan dollars, developing staff expertise to serve rural communities in assessing loan requests and combining several public sector programs to package a deal, could be useful as loan dollars. Financial packing, when and where it is available as a public service, helps rural bankers structure deals for their towns and provides the technical expertise required to screen the bad deals from the good ones.

Developing the expertise of program staff to package financing, should be considered as a legislative component for rural assistance. There are currently too few people available with these skills

and the cost of their services is often too prohibitive for our smaller cities.

The challenges faced by rural communities are significant. Changing structures threaten their traditional economic sources and the smaller the population base of a community the more difficult it is to attract new jobs. The answer to assisting these valuable members of society lies in providing technical services, dollars for capital formation, and information resources that will allow communities to effectively expend their precious resources for viable job creating activities.

Thank you for your attention. It is a pleasure to have the opportunity to impact rural economic development legislation and we look forward to working with the opportunities you create to strengthen the communities in our region.

[The prepared statement of Mr. Gibson appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Gibson. Mr. Morriss.

STATEMENT OF JIM MORRISS, EXECUTIVE VICE PRESIDENT, ASSOCIATION OF TEXAS ELECTRIC COOPERATIVES

Mr. MORRISS. Thank you, Mr. Chairman and we are also appreciative of the opportunity to testify before this committee and commend your attention to problems. You know the problems so there is no need to spend time in trying to identify them.

Let me give our statistical picture also. Electric cooperatives in Texas own and operate a quarter of a million miles of lines in all but 8 of the 254 counties in the State, 1.1 million meters along those 250,000 miles of line, that serve homes, farms, ranches, and businesses.

We believe that the important part of a rural development program lies in fact in the delivery system. Does it get to where it needs to be, and I think the B and I program of Farmers Home is an excellent example of it. And rather than to philosophize or theorize about it, let me refer to a good bit of time I spent on the subject as chairman of a task force of the National Rural Electric Cooperative Association about 2 years ago, more than 1 year in the study.

The study committee divided into four task forces, and the one I chaired, had as its subject, the outlook for rural America and the future role of REA. And we looked at some of the kinds of things that the committee has under consideration.

We believe that there are some very important worthwhile initiatives and programs contained in S. 1036, to which Gary Gibson referred, the Rural Partnerships Act, which I understand the Senate passed last week. And I refer to those in principle more than in specificity, simply because some reasonable and prospective delivery system is indicated in that bill, and the prospect of similar legislation or legislation that contemplates the same kinds of things being introduced in the House, is very pleasing to us.

And what we are saying is simply that the Rural Electrification Administration, a Federal agency of USDA, has a lot of experience in getting a specific community-based service to its intended beneficiaries. We are saying that is an in-place, on-going, well-proven in-

frastructure on which to build. To whatever degree the Congress, upon this committee's advice and counsel decides that that is a useful vehicle for delivering the services.

We are out there, we are a single motivated community-based service, motivated by service and I am just quite sure we have a role to play. So do the investor-owned utilities, without a doubt. It will take all of us to do the job that needs to be done.

As far as we are concerned, and I express only the view of the Association of Texas Electric Cooperatives which I represent, we welcome participation of investor-owned utilities, or anybody else if it will help rural America. We do not serve it all, we serve 15 percent of the population of the State. But we are based in the rural areas, not based in urban and reaching out to rural. And that is really a statement of fact, so it will take us all.

I am particularly taken, if I could refer back to the bankers' comments a moment ago, and simply to corroborate what their hands-on experience has been with the cumbersome applications for the FmHA B and I program itself. As I mentioned, I spent, in the company of a good many other people, almost 1 year looking at the delivery system and all that under the guidance of a former Secretary of Agriculture, who knows the ropes. And in that context, we would also affirm your remarks too, Congressman Combest, a need for consolidation of services. It goes hither, thither, and yon, and the committee knows that, no need for me to trace the roadmap again. But again delivery of services seems to be the important consideration.

Up until 1961, REA actually did not do anything except provide the resources, as mandated by law, to provide rural electric and rural telephone service. There was a period of time, 1961 to 1969 approximately, when there was in fact a technical assistance, rural development department of REA. It had 23 people in it. That was disbanded in 1969. It is now done part-time by one person in REA. The idea of REA's technical assistance to and through rural electric and rural telephone borrowers, providing them with effective tools and resources to foment rural development in the service areas where they already are, just has a lot of history behind it. And the cooperatives, since that time, are 20 years more mature, 20 years more stable and more established. And without question, they form the kind of network and infrastructure serving rural America that is of considerable value to the areas they serve across the Nation. That is our position on delivery system.

We really believe that, without repeating the details of specific initiatives in housing, in business, development and water, wastewater, and so forth, all other kinds of facilities, education, and health care, I simply suggest to you that the subcommittee give very serious consideration to building upon the base of electric and telephone cooperatives which can be used to an increasing extent for rural development.

And this, we believe, can most effectively be accomplished through a partnership between REA and the electric cooperatives. And to the exclusion of no other entities, in terms of the provision of those resources.

We are saying the REA pattern is a successful pattern, one with few equals, if any, we believe. And given the mandate, it can accomplish much for the benefit of rural areas.

[The prepared statement of Mr. Morriss appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much. Mr. Klutts.

STATEMENT OF PHILLIP Q. KLUTTS, PRESIDENT, OKLAHOMA RURAL WATER ASSOCIATION

Mr. KLUTTS. Mr. Chairman, distinguished members of this committee, it is my pleasure and I appreciate the opportunity to appear before you here today to present our testimony, as regard to the infrastructure needs of rural Oklahoma and rural America.

I live out where the problems are. I farm and ranch in a rural area, of east central Oklahoma, Okfuskee County, east of Oklahoma City, about 80 or 90 miles. The economic conditions in my county are terribly depressed. We are among the lowest income counties in the State of Oklahoma and that in itself should tell you where I come from.

The decline in agriculture and the loss of jobs in the oil and gas industry have, for the most part, brought about the depressed economic conditions. We have not had anything to fill the void in the loss of jobs that have occurred. We desperately need to create conditions in our area, and I think this is not totally unlike the rest of the country, but we desperately need something to fill that void. Of course, we are all aware that we need to build the infrastructure and the educational system and all of those things that it takes to attract growth and vitality and whatever to revitalize the areas of our State and the whole country.

The tragedy I see is that frequently, our finest young people, the ones that are talented and motivated and could benefit our rural areas, leave to find a job somewhere; in some other part of the country, some metropolitan area, or whatever.

As mentioned earlier, there are a multitude of programs that are available to meet the needs. We do not need new programs we just need to fine-tune and to streamline those programs that are already available.

In rural water, Mr. Chairman as you are aware, the Farmers Home Administration has funded almost all of the projects that have been built. Throughout Oklahoma, there are a number of those projects. The Rural Water Association that I represent consists of 320 member systems serving approximately one-half million rural people in Oklahoma.

In FmHA there are plenty of programs to meet the needs, but we need changes in attitudes, within the people. I do not intend to be critical of those personnel that are there. There are some fine and dedicated people, but at key levels we need some changes in attitudes and priorities and procedures, to improve on the delivery of those loans and those programs out to the people that they serve.

Beginning at the very highest levels of Government, with the Secretary of Agriculture, we think the Secretary of Agriculture needs to elevate economic development and give it a higher priority. We think that we need an FmHA Administrator who is commit-

ted to rural revitalization; one who is dedicated and committed to FmHA and its programs. Not one who is committed to privatization and dismantling of the program, if you will.

We think that State directors should be people who are keenly aware and committed to the needs of the rural people all across the country and that they arrange their priorities in such a fashion that they are able to meet those needs.

We think the district and county offices need to be better staffed with qualified and dedicated people who have the right attitude and a genuine interest in helping rural people and rural communities to meet their needs. We think that the answer is in the people that administer these programs. That we need the right people in the right places, with the right attitudes.

We think that these people need to sell their programs. We think that they need to make them more visible, rather than just sitting back in an office somewhere and waiting until the people come to them with their problems. We think that FmHA and their agency should be more accessible, they should be more available, and should be more visible to let the people know what programs are available within FmHA. There are a multitude of programs that most people do not even know exist. We have heard people earlier talk about B and I programs and all of those that most people do not even know exist. So we think that FmHA should make themselves and their programs more accessible and more visible.

We think that FmHA needs to eliminate the bureaucracy and the redtape that exists in delivering these programs to the people. It was interesting to me here earlier, when I heard the bankers talk about taking 90 days or 120 days or whatever to get a loan closed. Let me give you some other figures. In some loans that I am aware it takes 5 years to get a loan closed. That is much too long.

On the local rural water system I helped organize and develop 20 years ago, I have served as chairman from its beginning.

During the early days of our water system we only had a couple of hundred people that we served.

Our board and myself have always felt an obligation on the part of our water system to meet the needs of our community. Just because I have rural water, does not mean that the job is done. There is a continuing need and demand to expand to meet the needs of our neighbors, that do not have the luxury of running water or rural water in their homes. With the problems in processing loans through FmHA, and the time and effort necessary to meet all the requirements, it takes the incentive out of it.

For example as chairman of the water district, I draw no salary and serve on a voluntary basis because our neighbors need water. If you know before you ever start that you are embarking on an effort that is going to take you years to accomplish, it is hardly worth the effort. It takes too long to process loans and put them through. We need to wade through all the redtape and streamline the regulations and go back to basics, so that we can get loans processed and get them to the systems in a much more timely fashion than what we have been able to do.

One issue that I want to touch on this morning is one my colleague from REC talked about in terms of meeting the needs of rural people and their economic development efforts. That is a

noble cause that they have embarked upon. The issue that I want to talk about is the issue of transferring FmHA rural development funds to the Rural Electrification Administration.

That philosophy disturbs us very much. The rural water systems and rural electric coops in our area have worked very closely. The head of the rural electric coop in our district and I are neighbors and we visit and talk about various issues and how best to meet the needs. Moving these programs to REA, as we see it, would just create another bureaucracy, more redtape to try to wade through, and why duplicate FmHA programs already in place? We feel that the rural water program funded by FmHA worked very well in the past and all we need to do is to streamline this program. As I said earlier all we need is the right people in the right places with the right attitudes.

The training and skills and expertise necessary to meet the rural water infrastructure needs are already in place with our rural water systems. I can tell you there is a vast difference in operating a water system and an electric system in terms of the health regulations, hydraulic problems and the overall operation. There is a vast difference and we have the necessary expertise within rural water. The people in REC, have done a fabulous job in providing rural electric service, but there is a vast difference in operating a rural water system and an electric system.

In summary, I would like to say to you that the tools necessary to meet the needs of rural water are already in place within FmHA. We simply need dedicated and motivated people at all levels. We need to eliminate the bureaucracy and the redtape that exists. We need to adequately fund our project needs with loan and grant programs. And FmHA needs to get out and sell their programs.

[The prepared statement of Mr. Klutts appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much. Mr. Jackson.

STATEMENT OF BOB N. JACKSON, MANAGER, ECONOMIC DEVELOPMENT, PUBLIC SERVICE CO. OF OKLAHOMA

Mr. JACKSON. Mr. Chairman, Mr. Sarpalius, Mr. Combest, it is an honor to be here today to talk about economic development, specifically rural economic development. A subject that has been a vital interest to the Public Service Co. of Oklahoma for most of our 75-year history, both as a participant in the program and also as a beneficiary.

We also thank the committee for giving us the opportunity to express our concerns about pending rural development legislation, specifically S. 1036, and the House version, which is forthcoming.

A brief look at the demographics of our service territory shows why PSO has a vested interest in promoting and encouraging the development of rural Oklahoma. Of the 183 franchised communities we serve, nearly 70 percent of them have less than 1,500 people, which qualifies them as rural communities under the Rural Electrification Act and Oklahoma statutes. As a matter of fact, PSO only serves four towns, four cities with more than 30,000 customers each.

Hence, PSO has good reasons for being actively involved in rural economic development. We have responded with a number of economic development programs and strategies, some of which support economic development specifically in rural towns, some which support economic development throughout our territory.

If I might, I would like to briefly describe some of these programs. I have gone into much greater length in this programs in my written testimony.

Low-energy prices. For any energy provider a good starting place for economic development is the company's prices. Although energy prices rarely are the sole reason for any industry or company to locate on a new site, high-energy prices definitely can deter a new industry or business from locating in an area.

Fortunately, PSO prices consistently rank in the lowest 10 percent nationwide. Recent publications of Energy User News rank us in the lowest 6 percent. I have included an article about Oklahoma low-energy prices marked as exhibit 1, in my written testimony.

Our great State program. This is a program in our economic development umbrella, under which we actively market the benefits of doing business in Oklahoma to targeted prospects outside of our State.

Since 1985, we have sent over 30,000 direct mailings and regularly advertised in our economic development trade journals across the Nation. These have resulted in over 100 visits by qualified prospects to our communities. Companies such as Hyspan of Owasso and Hy-Tek Oil Bottling in Chickasaha, were first attracted to those communities by a great State mailing.

Our industrial team training program. This program is specifically designed to help small and rural communities build an effective local economic development organization that can compete for potential new businesses and act as a clearing house for inquiries for their communities. My own company representatives, members of my department, conduct all day seminars in these communities, using our people as well as expert outside speakers in such areas as finance and other community development disciplines to train the local community leaders in marketing their communities.

They are taught the basics of building an effective economic development team and how to put together a marketing program. A detailed "how-to" manual is included with my written testimony which we provide these communities, it is marked exhibit 2, and we have enclosed letters from those communities, many of those communities where we have conducted the programs, they are also marked as exhibits in the testimony.

Mr. ENGLISH. Mr. Jackson, is that in this package you gave us?

Mr. JACKSON. Yes sir, it sure is.

Mr. ENGLISH. Thanks.

Mr. JACKSON. Along with this brochure, we do other economic development videos and brochures for those communities. PSO communications specialists produce, without charge, to these communities promotional materials to support rural communities economic development efforts, their own efforts.

During the last 3 years we have produced videos outlining the benefits and describing the unique advantages of nine Oklahoma communities. We do about four of these a year with some limita-

tion on resources. One of those is Weatherford, and we have included that video tape in your packet, so that you can view it.

I have also brought along copies of a brochure that we produced for Vinita, Oklahoma, a community in the northeastern sector of Oklahoma. We did it for their chamber. We had also produced a video tape for them. They used both the video tape and the brochure to recently land a new industry in the food products division out of New Jersey. We have enclosed letters from those communities regarding the videos and the brochures, they are also marked as exhibits in the written testimony.

Our industrial site selection base, data base. Because of the nature of our business, PSO is familiar with almost every part of our State. We are leveraging this broad base of knowledge through our industrial site selection computer data base that was developed by members of our own staff. Using the data base, prospective businesses are able to match industrial site and building requirements with those sites that are available in the communities of Oklahoma, including communities that are not within our service territory. This program has been used by more than 100 companies to date.

These are just a few of the ways that PSO supports economic development in all of Oklahoma, rural and urban alike. We also support the efforts of others by providing our time and our expertise to help small communities secure Government economic development assistance in the form of expertise, research data, loans, and grants.

For instance, PSO recently assisted the city of Grove, Oklahoma, again in northeastern Oklahoma, in obtaining a $500,000 HUD funded community development block grant loan, which has resulted in the location of a new manufacturing facility with 50 jobs initially, ultimately going to 150 jobs in 2 years.

All of these activities have yielded some quite impressive results. We estimate that during the last years, PSO's economic development programs have helped to attract 198 new and expanded companies, more than 8,000 jobs to Oklahoma. Some of these jobs are in rural Oklahoma, some of them are in urban areas like Tulsa or Lawton. What is often overlooked when we talk about rural Oklahoma, is that rural and urban economic development compliment each other. The strengths of a small community are aided by being adjacent to an urban area so they can draw on the infrastructure and the services offered there.

Interdependence is a common theme running throughout all of PSO's economic development activities. No one of us, Federal or State governments, local governments, industrial foundations, chambers of commerce, even our own company programs, can do the job alone. Economic development in rural or urban areas is a team effort and requires all of us on the team.

We support, at PSO, anything that facilitates cooperation and sharing among economic development groups. We are very concerned with any legislation that would limit our participation or the participation of others in this vital activity. We believe that legislation such as the Rural Partnership Act, S. 1036, which excludes investor-owned utilities from obtaining rural development grants is counter productive and not in the public interest. Exclud-

ing PSO and all of the investor-owned utilities from access to these funds would disenfranchise over 65 percent of PSO's rural customers, placing those communities at a great disadvantage. And as you recall, that is over 70 percent, over 70 percent of our franchised communities. And I think that is probably fairly typical throughout the Nation.

We believe further economic development progress will depend on maintaining the public/private partnership of government agencies, both Federal, State, and local, and private corporations. These partnerships sort of take us back to the great rural American tradition of the barn raising. Everybody rolls up their sleeves, everybody pitches in, everybody has an idea, their idea is heard, they are welcome, and I think as we craft legislation to help promote and develop rural America, we have to remember we cannot exclude PSO, we cannot exclude the investor-owned utilities, but we need to put together legislation that lets all of us come together, lend our expertise, and only in that way are we going to be able to raise the barn.

Thank you, gentlemen.

[The prepared statement of Mr. Jackson appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. Jackson. Mr. Duck.

STATEMENT OF TOM DUCK, EXECUTIVE DIRECTOR, TEXAS RURAL WATER ASSOCIATION

Mr. DUCK. Mr. Chairman, members of the committee, my name is Tom Duck and I am the executive director of the Texas Rural Water Association. I have some prepared remarks that I have made, however in the interest of time, Mr. Chairman, I will deviate from those remarks. My distinguished colleague from Oklahoma, I think, has articulated some of the major positions and some of the same positions that our association has and would like to direct to this committee.

Our association in Texas, represents over 500 nonprofit rural water supply corporations. That includes small cities and some water districts under 10,000 in population. Our member utilities serve drinking water to 2½ million Texans. Obviously what you do in Congress impacts what happens in rural America. And that is our interest in being here today, we hope that the comments that you hear today are taken back to Washington and are adequately addressed in the bills you are drafting.

Our primary message today is to urge support of the existing Farmers Home Loan and Grant Program, as it deals with water and wastewater programs to the rural community. The Texas Rural Water Association, as many of the other States, also have a technical assistance program through Farmers Home Administration, dealing with the circuit rider program. We call it the circuit rider program, it is actually an on-site technical assistance program funded through the Farmers Home Administration, in which our staff meets with the small communities, meets with the board of directors of these small communities, meets with the operators of these small systems and informs them of the Safe Drinking Water Act requirements, the Clean Water Act requirements, as

well as many of the State regulations of our State health department. The Texas Health Department is the primary agency for all the Environmental Protection Agency requirements. As you know, dealing with those requirements on a daily basis can be expensive for a small water system. For a small water system, those regulations have a serious impact upon the financial ability of those systems to survive. Many of these systems are very small, less than 100 customer base.

With the financial requirements that are being put upon these smaller systems to comply with these requirements and the new contaminant levels that EPA now is enforcing, it is likely that the cost of compliance will be too great. The enforcement of those regulations is costly to these small systems. Given the above, the Farmers Home Loan and Grant Program, coupled with the technical assistance program, will in our opinion, provide a good vehicle in the rural communities for many of these smaller water systems to survive or to even exist. These small water systems, along with rural electric and rural telephone, have provided the backbone for growth and development in these rural communities.

We would encourage you and urge you in your deliberations to consider maintaining the existing FmHA program. We think it is doing a good job. It has served the community well. Over the last 25 years $9.8 billion in Farmers Home water and sewer loans have been made available to these rural communities. In most cases, these rural communities could not go to a local source for financing and thus many of these water systems would not be in place today without FmHA assistance. Without the water system, the economic growth within the rural communities may not have developed. Certainly Farmers Home Administration, may have their share of problems, we would concur with some of the time claims under which loans are being processed, however we would also concur with their attempts to resolve those problems.

We also understand that environmental impact studies have to be conducted in order to protect our environment, but at the same time we think that the Farmers Home Program has been successful in balancing that issue with the need for more water. We would urge you to consider that and reauthorize the loan and grant program. Hopefully you would find the dollars within the budget to increase the loan and grant program. It is needed to revitalize and to stimulate the local economy in these rural communities.

We would hope you would also consider reauthorizing the technical assistance programs, the circuit rider programs, to these rural communities. This is a viable source of communication between the Federal Government, the State health department and those rural communities so that they can come into compliance with the law and the EPA regulations.

Ground water in our State, as you all know being from Texas, is a depleting resource. We need through Farmers Home Administration, to develop not only ground water supplies, but also to look toward surface water supplies and to fund future growth and development of reservoirs. Development of those type water systems is essential for the smaller communities.

Mr. Chairman, we know that, as we have heard today, there are other agencies, including the rural electric administration, that is

interested in receiving some Federal funds in order to put in water systems. Our association, and our national association, the National Rural Water Association, would oppose such efforts. Mr. Chairman, we believe that the existing Farmers Home system is working, why create another bureaucracy through REA. We do realize we have a partnership with the REA, where there is water there is electricity, where there is electricity there is water and rural telephones. Development goes hand in hand. But we believe in supporting FmHA, as an existing agency, that is doing an adequate job of providing the needs to the rural communities. We would urge you to keep FmHA as a primary lending agency for these small water systems in these rural communities.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Duck appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Duck, I appreciate your testimony. Mr. Morriss, you mentioned, I think, that here in the State of Texas, the REA operates in all but what eight counties, is that what you said?

Mr. MORRISS. Have lines existing in all but eight counties.

Mr. ENGLISH. In the counties in which you have existing lines, how many, roughly speaking, just as an estimate, what percentage of the communities in the State of Texas, outside the major metropolitan areas—how many of those communities does the REA deliver electricity to?

Mr. MORRISS. I could not even make a good estimate, Mr. Chairman, I really could not in terms of numbers.

Mr. ENGLISH. Well, I am not talking about numbers, I am just talking about percentage. Would you figure it would be half, a third, two-thirds?

Mr. MORRISS. I would say half, because we serve so much of the "yonder" out there.

Mr. ENGLISH. So, roughly half of the rural communities, those that are outside the major metropolitan areas that the REC's here in Texas provide service to. And I assume then that the investor-owned utilities provide service to the others, is that roughly correct?

Mr. MORRISS. Or they have a municipal system.

Mr. ENGLISH. Oh, they have municipal service of their own, their own service. That has been one of the things about which there has been some discussion. Mr. Jackson brought it up in S. 1036. It does have those provisions where it seems like they are excluding the investor-owned utilities, they have excluded the municipal utilities. How do we provide under any legislation we put together, what do we do with those communities that are not served by the REC's? Is what I am getting around to.

Mr. MORRISS. Well, in my own opinion Mr. Chairman, and I mentioned a moment ago, that the legislation indeed should not be exclusive.

Mr. ENGLISH. So you think the Senate made an error in that?

Mr. MORRISS. Well, no, I think they did it for a specific reason. And it would have been done differently still, in my own opinion, had there not been the restriction of funds, which everybody recognizes. That is a problem. The difference between the provision of

the kinds of services that Mr. Gibson and Mr. Jackson have described, laudable as they are, is the fact that those companies, I think yours—Southwestern Public Service Co.—earned a 16-percent rate of return, they do not ask anybody what they can invest in. We have a first lien mortgage on our systems by the Federal Government, that says—until we got it changed in Congress last year—that you may spend no more than 3 percent of your plant on nonact or nonelectric matters. We got it increased to 15 percent last year by the Congress, as a recommendation of the subcommittee which I chaired which I referred to earlier, because we needed more latitude in making those kinds of investments, which we do and ought to make. The channeling of funds and the kinds of initiatives described in and empowered by S. 1036, are to put resources where there are not now resources. And nonprofit electric utilities serving the hinderlands of this country, just do not have the kind of money available that the investor-owned utilities do.

Mr. ENGLISH. All right.

Mr. MORRISS. So, maybe they often have access and philosophically I could have found that——

Mr. ENGLISH. I guess the thing I have to——

Mr. MORRISS. It is not as if, if they do not get access to those funds, nothing is going to be done, because they have access to funds. We are looking for resources we do not now have.

Mr. ENGLISH. Sure, I understand. The thing that troubles me a little bit, as we go through this thing and particularly if we are going to start to pull these resources together, target them and handle them more responsibly, then I think that probably what is going to be the key, is to get everything working in concert together. The thing that we do not want to leave half the communities in Texas out of it.

Mr. MORRISS. Absolutely.

Mr. ENGLISH. So the question that we have is how we get this interplay between, well we have the REC's, and we have the investor-owned utilities, we have the municipal utilities, we are into situations where we have rural telephone cooperatives, we have the other companies that are involved. We have rural water districts, areas of the country where you have rural water districts available, they do it, and other areas they do not have it available.

I guess the thing that is going to be a very, very difficult question for us to wrestle with is how we—how we pull all this together so that we do not leave anybody out.

Mr. MORRISS. I really believe the local scenario answers that question, Mr. Chairman. I do not believe the investor-owned or the cooperatives will do any overall effective economic development work unless it is done in concert with all of the community. Local organizations, chambers of commerce, and so forth. And I think you would find investor-owned and cooperatives just as active, and we ought to be just as active as the chamber of commerce and the community that is in their vicinity, whether or not they served it electrically. And I could not agree with you more in terms of the concentration and the working in concert.

Mr. ENGLISH. So everything would be geared to the local community as opposed to, whether we are talking about REC's, or investor-owned utilities or rural water districts or anything else. Of

course we get a little different situation, don't we Mr. Klutts, with the rural water district.

Mr. KLUTTS. What do you mean by that, Mr. Chairman?

Mr. ENGLISH. Well, you do not have a local city out there. In many cases, you have a lot of these rural water districts out in the country, that is where we are delivering.

Mr. KLUTTS. Well, that is where they are primarily located.

Mr. ENGLISH. So, how do we work that when we have regions of the country where we do not have rural water districts? How do we deliver this kind of benefit to those particular areas of the country? Do you have any thoughts on that, Mr. Klutts?

Mr. KLUTTS. Well, I am most familiar with what we have in Oklahoma and there are some areas in Oklahoma where there are not many water districts. In many of those cases, there is not a need for a water district. Take Oklahoma County for example, a major metropolitan area, there are any number of acreages out in the fringe area of Oklahoma City that you are familiar with. There is an ocean of ground water beneath the Garber-Wellington Sand, is a major aquifer in Oklahoma, and so there is no need for a complex water system, out in the fringes of that area. And the same thing is true of other areas. I am not aware, in Oklahoma, of any large areas, or wide spread areas where there is a strong need for a water supply and distribution system, where that need has not been met or is in the process of being met.

Mr. ENGLISH. What about Texas, Mr. Duck?

Mr. DUCK. We have some areas of the State where there are some needs, Mr. Chairman, where the ground water has been depleted. There needs to be another source of water supply, as we were saying earlier; and principally tied to sharing with a lot of different communities that may happen to be a municipality or nonprofit system in a local community. Many of our water districts buy water from the city, a neighboring city, in order to supply their communities in the rural area. Farmers Home Administration has in the past been cooperative in certain situations to allow those type of contracts to develop, where a rural water district is actually buying water from a local community and vise versa.

We have some cities that are buying water from the water district too, where the cities do not have adequate supplies, or they have a back up supply system. It is a difficult task, Mr. Chairman. There are some areas that, in our State, where there is some need and those people are having to drill their own wells, it is very costly for them. If you get the water to them—in a lot of cases we cannot get the water to them without having to haul it many, many miles. I do not know if there is an answer to your question, other than it is going to take a lot of cooperation among the local communities and the rural water districts and the communities working together.

Mr. ENGLISH. Mr. Jackson, what do you think? Do you think Mr. Morriss is right, just do everything through the cities, regardless of who they are served by? Is that the proper approach?

Mr. JACKSON. Mr. Chairman, in our service territory we are finding it not all that difficult to get the support and the funds and the loans and the grants that are necessary for viable economic development projects from the agencies and the organizations as they

now exist. We think those agencies, there are places where their accounting functions, where their administration could be speeded up maybe somewhat, but by and large we get good service from the organizations, the Small Business Administration, from HUD, from FmHA and others. And in essence what we are saying, I think in our summation of our testimony, would be there is an awful lot of people that have been working in this arena for a number of years, we for 75 years. And in our service territory, the Rural Electric Cooperative are rookies on the team, they have just begun to get involved in economic development. And I think what we are saying is we applaud their entry into the game, but we do not think we ought to turn the conduit for all of the funds over to the rookies in the game.

Mr. ENGLISH. Well, Mr. Morriss though was just saying do it through the city.

Mr. JACKSON. Well, we think that the cities, the counties, the State are all viable organizations, but I would hesitate to say that we will have to turn it all over to the cities in my communities, in my State.

Mr. MORRISS. I am saying regional organization.

Mr. ENGLISH. Regional organization.

Mr. MORRISS. Be it COGS or economic development foundations or whatever, because those are the vehicles that are going to cause the development to take place.

Mr. ENGLISH. What do you think, Mr. Gibson?

Mr. GIBSON. Well I agree with PSO counterpart. We have conduits in our area. We have PRPC and SPAC, and association of governments and those conduits are there, those are open to everyone. In our particular service territory we serve practically all the communities, 1,500, 600 people in those communities. There are very few communities in our service area that are served by the cooperatives. And so that is our problem with putting the conduit in the REA, we think it could be left in the existing conduits, not set up an additional structure and have those dollars be used through the existing conduits.

Mr. ENGLISH. Well, let me ask you a question about that. Now, we have a water system that goes to this town, and we have a sewer system that goes over here to this town, have a little housing going over here to this town, just kind of a hodgepodge here, there, and yonder type of approach and that takes a lot of money, an awful lot of money.

The question that we come down to is: What really is the best possible, the most efficient way of dealing with this kind of problem? And if it is working so well, how come we have all these folks moving out of rural communities? The thing that I am troubled by is we have, as everybody has pointed out and everybody is well aware, we have very limited resources. Now I am not saying that we ought to turn it over to the REC's, I do not think we will turn it over to investor-owned utilities, I do not think we ought turn it over to the rural water districts, so—and I think that what I am getting here is a little bit of a feeling that, well you know, we have to, I think we have some folks that are battling perhaps a little bit on the Senate bill, the whole purpose and thrust to what we are doing, is that, we are trying to look at this thing first to get some

input and get some feeling and we are going to draw up our own bill. The Senate does their job, that is fine. We will probably meet in conference and work out whatever differences that we have.

But we are trying to get the idea—I wonder, somebody mentioned earlier that rural development priority ought to be increased from the Department of Agriculture. I think that is true. Maybe it ought to be increased a lot. I do not think we are ever going to find many rural communities around this country where agriculture is totally going to be, overtaken as the principal income producing source of rural communities. That is what they are all about, they are rural, surrounded by agriculture, that is the No. 1 industry. The question is whether we begin to diversify those communities, so that during times of difficulty in agriculture they can survive, continue to grow, and prosper.

So, maybe we ought to have an increased emphasis. If that is the case, do we start pulling together within the Department of Agriculture, whether it be rural electric, telephone, rural electric cooperatives, rural water districts, anything to do with Farmers Home that will be in our program, all that, maybe you ought to put that into a rural development type agency within the Department of Agriculture so you kind of got everybody together. Maybe we ought to have different people pulling together, looking at disbursement of these resources and trying to determine if this is a community that is really going to benefit by this or is this separate. Prohibit what has happened in one community in my district where the Farmers Home Administration built a nice indoor heated swimming pool for a town of about 600, 700 people. They could not pay the heating bill to keep that pool heated. It did not make a whole lot of sense when you got right down to it and then times got tough and there was not anybody paying. Well, it is kind of hard to repossess the swimming pool in one of these little towns, it just does not work too well.

So, you have to start looking at this and maybe pull this thing together, targeting it more and seeing if we can have more impact in the things we do. So that is—and if that makes sense, if that would be helpful, beneficial, if it makes us—if we can have increased impact with the limited resources we have, it is worth doing. It is not going to be easy to do at all. Mr. Jackson.

Mr. JACKSON. Mr. Chairman, in Oklahoma, we have divided the State into nine regional economic development groups, as you are aware, WORX—Western Oklahoma Resource Extension—in the western Oklahoma Counties of Beckhman, Custer, Washita, Roger Mills, and so forth and Mountain Metro in Lawton and the southern end of your district, but those nine regional groups of counties, work together promoting the region. They have come to the conclusion that every small community of 500 or 600 or 400 people is not going to be able to locate an industry. They work together, they put their limited resources together into an organization that promotes the six counties, with the understanding that if an industry locates somewhere within the six counties they can drive back and forth to have a job. Not as good as having it in your own hometown, but at least that job is there and you can continue to live on the acreage and continue to do the things, live in the rural areas. And we are doing that statewide, we—PSO—have been helping

fund them the State helps fund them and the local communities help fund them. It is working very well.

Mr. ENGLISH. Mr. Combest.

Mr. COMBEST. Just a quick one, Mr. Chairman. You can't afford to pay the heating bill on that swimming pool let that sucker freeze over and make it an ice skating rink.

Mr. Jackson, I feel like probably the reason barn raisings were so successful a few years ago because they did not have any Federal Government involvement. We might want to take a lesson from that.

I do not really have any questions, just comments that I think you are all—obviously this is an important role for you all to play. I think many times, Mr. Gibson, we are not aware of, our people are not conscious of the work, I know Southwestern Public Service and other public utilities, Texas Electric down in the southern part of my district are involved in a community development and relations and activity and doing efforts and you all spend a lot of money in it. I think that is very commendable of you.

Everything we have heard all morning seems to be working fairly well, people say kind of leave it as it is. I do not think we are going to leave it as it is, but what we may do is take the—some of the parts of it that are not working and maybe correct those and look at possibly some type of an umbrella we can put this under. It is going to be hard to bring in additional people into Farmers Home offices, because Farmers are going to want them out there to help process those loans that they get behind on. So if those things are some of the difficulties we face, but like we are all on the right track and I am sure we are going to have an opportunity to talk about this subject again. Thank you, Mr. Chairman.

Mr. ENGLISH. Mr. Sarpalius.

Mr. SARPALIUS. Thank you, Mr. Chairman, I do not have anything to say other than to offer support for what has already been said. I find it interesting, I am new to Congress, I have been there about 7 months, but I find it interesting in a lot of similarities of problems that you were just discussing and also what we saw in Austin, where we could save the taxpayers, or spend our money much more wisely and take it a lot farther, if we did find a means of better coordinating those efforts. And I just support that approach. Which area we go, I have not been there long enough to really understand how most agencies operate.

Mr. ENGLISH. Thank you very much.

Mr. SARPALIUS. Thank you, Mr. Chairman.

Mr. ENGLISH. Thank you very much Mr. Sarpalius and gentlemen I want to thank each and every one of you for your testimony. It is very helpful as we struggle through with this problem and I think that you have gotten us a little nearer our goal and for that we are very grateful. So, we are looking forward to working with each and every one of you. If you have any ideas or suggestions that you think of later on, drop us a note and let us know what they are, we would appreciate that too. Thank you very much.

I think what we will do is—it is noon, I think we will recess until 1 and grab a quick sandwich or something and come right back.

We will try to move a little faster this afternoon, it seems like the longer this hearing is going on the more people we are adding.

So, we have a lot of witnesses this afternoon. We have a lot of testimony and we are looking forward to that, so we will try to be very prompt at 1 o'clock, thank you.

[Whereupon, at 11:55 a.m., the subcommittee recessed, to reconvene at 1 p.m., the same day.]

AFTERNOON SESSION

Mr. ENGLISH. The hearing will come to order. We will add that Congressman Combest is not here this afternoon. See how prompt we are in resuming our hearing.

Our next panel of witnesses will be the medical panel; Jim Wurts, administrator of Memorial Hospital here in Amarillo; Jolene Walsh, who is with the school of nursing at West Texas State University at Canyon; Steve Walters, who is the assistant to the president of Northwest Texas Hospital here in Amarillo; Helen Botsonias, is a health care consultant. Michael Denis with Methodist Hospital in Lubbock. Mr. Wurts, we will let you lead off the testimony and as we want to remind our witnesses, if you could, try to hold it to 5 minutes. We have a lot of witnesses this afternoon and we will move through it as quickly as we can.

STATEMENT OF JAMES R. WURTS, ADMINISTRATOR, MOORE COUNTY HOSPITAL DISTRICT

Mr. WURTS. Thank you very much sir. My name is Jim Wurts, I am the administrator of Memorial Hospital in Dumas, Texas, not Amarillo. There was a misprint. There is a profound difference.

Mr. ENGLISH. I want you to know coming from Cordell, Oklahoma, I understand the profound difference, thank you.

Mr. WURTS. Thank you, sir. I am the administrator of Moore County Hospital District. We are a 56-bed acute-care hospital, 60-bed nursing home, ambulance service, located in Dumas, serving an area of Moore County and contiguous areas of Sherman, Hartley, and Dallam Counties.

I want to speak from the point of view of some of the accomplishments we have managed to achieve in Dumas. What has worked for us, some of the problems we have had, and some of the things we would like to see accomplished to make health care happen in rural communities.

We appreciate the opportunity of being here in the sense that rural health care is economic development. Health care is the life blood of the community and in many of our towns we think you will see that health care projects are the most significant economic development happening.

In Dumas, over a 24-month period, we recruited seven physicians, we accomplished a major renovation of our facility, we are the only—were at one time, the only rural hospital in Texas with a full-time CT scanner. We operate rural out-reach clinics in Sun Ray, Texas. We have recently opened a nursing home, it was opened last May with 60 beds, it now enjoys 100 percent occupancy and we are looking at an expansion.

Over a period of 4 years, we have seen our in-patient admissions increase 25 percent, our number of operative procedures increase 70 percent, our x-ray procedures increase 200 percent, our ER visits

70 percent, our deliveries go up 75 percent, our total revenue has doubled, and we have seen our market share increase from 40 to 65 percent. We are one of the few rural hospitals that is remaining profitable.

How we have done this has been essentially through a mixture of good community support. We have a community that is proud of its hospital, wants to see it grow and flourish. Through cost efficiency, through networking with other facilities, through developing a superior physical plant, recruiting physicians, giving our patients access to high-tech service, and most important, through diversification.

We think we cannot make it just providing traditional in-patient care services. We must diversify into ambulatory care services, into long-term care services, if we are to survive.

We think it is important too that we have a critical mass of population. We serve an area of approximately 18,000, our primary service area and this allows us, again, to grow and prosper to some degree. Our counterparts in the smaller towns are going to have a problem in the days to come. It is going to be very hard to sustain a hospital in a community of 2,000, 3,000, 4,000, or 5,000, particularly with the number of physicians and getting access to the x-ray labs, therapeutic rooms, it is necessary to sustain a hospital.

We again, feel that Congress in developing rules and developing regulatory packages and so forth, have to do some things to help us. And again, particularly have to do things to help us make this shift. Again, as I said earlier, rural health care is economic development. If we do not have health care services in our smaller towns, we are not going to see industry come into these communities, we are going to see an outmigration of particularly the older folks that need access to health care. And again, as I said earlier, quite often health care is the top employer in the smaller towns and I can give an example. In Dumas, our nursing home project. In the past 3 or 4 years this has been the biggest thing to hit our community in terms of economic development. We generated 40 jobs, $1½ million construction project, and most importantly, we found 20 of our citizens that were in larger towns for nursing home care that came back to our communities to be with their loved ones, to be with their friends in their older years.

What we would like to see Congress do is probably a broad encompassing package in the sense of, first, you have heard it before and I know I am preaching to the choir, but we have to be paid adequately for what we do. There must be equality in Medicare reimbursement.

The second thing that needs to happen, from a regulatory standpoint, is this diversification into long-term care needs to be encouraged as a matter of public policy. I cannot tell you what kind of hurdles we had to jump through to build a nursing home in Dumas, Texas, but if it is filled within 1 year, that tells me it was needed. We had some folks down in Austin that did not think it was. But as a matter of public policy, we need to encourage the development of long-term care facilities in smaller towns. We need to encourage as a matter of public policy, the conversion of under utilized acute care beds into long-term care. In many of our States the regulatory process just does not do this.

We need, through HUD, or through other programs, to encourage the development of assisted living projects. Again, I can give antidotal information in Dumas. We do not have any congregate care, we do not have any assisted living, for the folks that need some help, but are not ready for the nursing home, many of our rural towns are not offering these folks much. And again, we need, through low-interest loans, to encourage the development of these kinds of projects.

We need to realize that for the towns that cannot justify an acute-care hospital, some kind of health care presence needs to be in these communities. Be it the Montana example of the medial assistance facility, I do not know. But the communities need access to ambulatory care, to diagnostic services, sometimes to short-term hospital service, and we need through our licensure process and through the incentives to try to encourage the smaller towns to develop these projects before they have nothing at all.

From the physicians standpoint, tax incentives need to be developed to encourage physicians to come to small communities. And talking again about economic development, recruiting a physician is probably the greatest economic development of the project a small town can engage in. You are putting forth a project, a man that is going to have a small business, employing three or four people. He is going to buy a house, he is going to build or buy a clinic. He is going to be a community leader. And physician recruitment is economic development and again, Congress should through tax incentives and through possibly block grants, develop programs to encourage physician recruitment. The same thing goes for nurses in certain categories of allied health. And again, we are seeing the well publicized nursing shortage is especially profound in the smaller towns.

Networking needs to be encouraged. The small hospitals, the small towns that are having good ideas need to share these with other people. A lot more networking and communication needs to go on between the providers.

Again, I am very appreciative of the opportunity to come here and share both our successes in Dumas and share our thoughts for the future. And as I say, I am encouraged by the recognition of the committee that health care is a very important piece of the economic development issue.

Thank you.

[The prepared statement of Mr. Wurts appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you. Ms. Walsh.

STATEMENT OF MARY JOLENE WALSH, DIRECTOR, SCHOOL OF NURSING, WEST TEXAS STATE UNIVERSITY

Ms. WALSH. I am Dr. Walsh, I am director of the nursing program at West Texas State University, as well as president of the district nurses association of the Texas Nurses Association. I do not have a typed report to give you because of the short notification this morning, but I may follow it up with a typed report.

First off, I appreciate the opportunity to be here and I appreciate, also, your approach in terms of the total quality of life of the

people in the rural areas. It seems to me that when we are looking at the people in the rural areas, or the citizens who live in the rural areas, we are looking at something that is unique in the Nation.

One, we are looking at, particularly in Texas, we are looking at a State where both the State and U.S. fiscal initiatives are almost limited. So we are having to look at creative solutions from within. In addition here, we are looking at many farmers, so far we have talked about the cities, the rural cities, but we are looking at farmers that are in deep crisis. We read a lot about the health outcomes of farmers who sustain crisis in terms of suicides, in terms of increased substance abuse, in terms of divorce and family break up, that is another thing we have to look at.

In the rural towns, we are also looking at, in terms of health care services, not only nurse and physician shortage, but lack of incentive for nurses and physicians to stay in the area. I can recall one example specifically where one of our present nurses who has been a rural nurse, is now commuting to Dallas for 2 days a week because the salary there is $25 an hour, coming back and not working in the rural area, because the money itself has been the incentive.

We are looking at closing of hospitals. We are looking at an aging population, we are looking at increased infant mortality, teenage pregnancy, stress-related problems, and environmental concerns.

I can speak for West Texas State University in that we are a regional institution. The division of nursing has taken as its focus to try and meet the needs, regionally, as far as we can do, from a nursing standpoint. We have currently 326 undergraduate nursing students. These students come primarily from the Panhandle of Texas. I stress the most frequent origin of students is from the Lubbock area.

We used to get a lot of students from the Panhandle of Oklahoma, from southwest Kansas and from western New Mexico. This has limited, because the State of Texas has now limited our number of out-of-State students that we can accept with reduced tuition, making it financially prohibitive for those students to come to us.

Most of our students stay in the area when they graduate. So, we are a regional recruiting school of nursing and we serve the regional area through our graduates.

Another area that we have is our continuing education program. We have had a continuing education program for the last 5 years, that was supported through a special grant from the Department of Health and Human Services. That grant was directed totally to the rural nurses of the panhandle. We are identified by specific sites that were within driving range of the nurses, realizing that the hospitals were short staffed and they could not let the nurses go into Amarillo for their continuing education.

The faculty, in addition to the rest of our work, each faculty member gave at least one program per year in each of those sites. We have given an average of 32 programs every year in each of those sites. At this point, we have been invited to Bozeman, Montana to the National Inter-Disciplinary Rural Health Conference to

present our concept as something that might be an incentive for nurses to stay in the rural area and a way to give them increased skills.

However, we used the 5-year allocation that the Federal Government allows under a grant with the Texas fiscal situation being what it was, the university was not able to support us, so at the time we were invited to give the national program, we are now looking at funding to continue it. At this point, today, we do not have a continuing education program.

The nurses of the panhandle have said such things as that when we come there, the faculty come there, that that is their lifeline. These are young nurses, primarily, who work out in the rural area, and unless there is some incentive, something that keeps them developing and growing, they find it very difficult to stay there. And I think the continuing education program provided that. At this point we have one new grant application to the Department of Health and Human Services to continue that and one local grant.

We have a plan, if another grant comes through, to combine rural health focus with geriatrics. At this point, to get ready for that, we have developed three graduate courses in rural geriatrics, we have one undergraduate course and we are having our students in clinical experiences in geriatrics.

Our hope then is to develop a way to continue our continuing education program. To develop a nurse practitioner program within our masters program, but until that should become a reality, we hope in collaboration with the medical school to develop a nurse practitioner program. Our hope also is that our nursing program can develop a rural geriatric focus, as our special contribution to the panhandle.

We believe, that overall, for rural health care to succeed, that we have to use nurse practitioners better, have to use all nurses better. And we have to develop creative and realistic programs that can meet the needs, not of Montana and not of New York City and not of Michigan, but of the Panhandle of Texas.

We also have plans to work with the Texas Tech Medical School, Med MIC, that is a teleconferencing system that has been funded through the Federal Government. That will be great, it will allow us to get into the nurses in the rural areas. The one thing it will not allow, it will not allow that person-to-person contact that we had with the rural nurses to encourage them and give them incentive to stay where they are. Where we can go out to them and help them.

As I see it right now in terms of rural health, there are several givens. One given is that there will be no—very little Federal money increase with the Federal deficit. The State is in the same fiscal situation. That kind of leaves us to ourselves, what do we do at the local level to do within the constraints that we have. I think that we have to develop some kind of incentive for the health care professionals in the rural area. I am not sure how that can be done, but they have to be there or nurses are going to continue to drive to Lubbock and to Amarillo, fly to Dallas to work elsewhere and let the rural hospitals in worse condition than they are now.

I think that we have to put emphasis on the rural Health Services Act that was initiated in 1977. There are several aspects of

that act that I believe could help to meet the rural health needs in the panhandle. That act calls for a better use of nurse/practitioners. It also calls for the possibility of using rather than—I am talking about out-patient care—rather than using a fixed facility in every town of perhaps having mobile facilities, such as perhaps a motor home. At least one man in Amarillo is interested in working with that in terms of for instance for the older people in the panhandle towns, of helping them to stay in their home, of working with the families, helping the caretaker so that these people do not have to become institutionalized until it is absolutely necessary.

Another thing that we need to do as an educational institution, and we need our counterparts in the hospitals and the consultants, is to help us to recruit nurses. We know that it is a myth that there are groups of nurses out living in their homes, taking care of children and doing whatever and not working, that is a myth nationwide. It is particularly a myth in Texas and in the rural areas. Almost everybody who can work, is working. We need to increase recruitment for nursing from several groups that we have not traditionally focused on, and that is men and minorities and people with other degrees or in their late career who are looking for something else to do.

We perhaps need to have some kind of redesign of our acute-care facilities. We need to have, as I see it generally, we need to look generally at the quality of life of the people in the rural towns, not specifically at any one of our individual institutions, but generally at the quality of life. And this means such things as helping farmers to keep their farms or to sustain them. Because as the farmers go, so go the businesses in those small towns, so goes health care and so goes the rest of it.

I think that we have to do exactly what you are doing today, looking at how we can work together at the total picture and look and focus primarily on the quality of life of the citizens in the rural areas.

Mr. ENGLISH. Thank you very much. Mr. Walters.

STATEMENT OF FLETCHER S. WALTERS, JR., ASSISTANT TO THE PRESIDENT, AMARILLO HOSPITAL DISTRICT

Mr. WALTERS. Thank you for the invitation, Congressman. I would like to talk just a little bit, of course to underline the things that have already been said and say amen to those things.

Actually what has been happening today in our world is that we are spending money for health care, but we are spending it inappropriately, and so I am hoping that your committee can help support programs which will get into the area of preventative health services, primary health services which will then give us enough money to properly finance hospitals for the work that they do when it has to be done and other types of programs.

We need to look at alternative health care programs. We need to talk about differences in the way health care is delivered in rural areas and no longer fantasize on the concept that every community, every population center will have a hospital. That is not going to happen in the future, only those communities that are economically large enough in terms of numbers of people who are willing

to support their local hospitals, are going to have them. Other communities are going to have other types of health care systems. And this is really where the Federal Government can help with this effort.

So, the programs that are to be developed, must be based upon the reality of what is happening in the health care world today. We are concerned about not being able to recruit physicians in communities where the communities cannot recruit their own youth back home for a job. So, why would we be surprised if we are not able to attract a physician, if we cannot get our own young people back to the community.

We have to start with the type of health care that is appropriate for the local community, regardless of its size, from the smallest to the largest, and then begin to attract people back that are willing to live in those communities.

Now, let me give you an example of what the Federal Government has not always done well in the past, in the area of early access to health care and in preventative health care services. The Panhandle of Texas, where you are located today, consists of 26 counties which is larger than all of the New England States put together in geography. One-fourth, up until this year, one-fourth of the Nation's counties that were not served by the WIC Program—W-I-C—Women, Infant and Children's Nutritional Program, one-fourth of the Nation's counties whose citizens were not eligible for that program are in the Panhandle of Texas. We are just now, this year, getting some of those rural counties' citizens who are poor pregnant women and their young children, we are just now getting them a little bit of help.

We have counties in our area where the infant death rate is up to 30 percent. Because of the small populations, the Federal rules were written in such a way that those counties were not able to qualify, because the program had to be provided inside the geography of the particular county. And you may not have over five or six women that were eligible in a county, when the whole population is 2,000, eligible for this type of program and needing it. But those six women needed it badly. And if two of those women had a miscarriage or their baby died, that is a 30-percent death rate. And we have had that type of problem in some of our local counties in this region.

Had the WIC Program rules been more flexible, that could have been avoided with innovated ways of providing this nutritional program to women and children and to provide them with the education that they needed on how to treat their kids.

I just use that as an example, Representative, but there are numerous examples of where Federal rules have been so stringent that it has made it very difficult for programs to be applied properly.

Dr. Walsh just mentioned a rural health care program that has been on the books since 1976 or 1977 and only this year, has the State of Texas been eligible to take advantage of that program, using nurse practitioners to staff the clinics. That has finally been approved this year, but there has to be enough money in that program, in the way of Federal grants, just as there has to be enough

money in the WIC Program to finance these programs for poor people, who do not have the money to pay for it themselves.

Going back once more with WIC, then I will get off of that. Only a third of the women in this Nation who are eligible for the WIC Program take advantage of that extremely critically needed program.

At the hospital where I work here in Amarillo, we have a neonatal care—intensive care unit that takes care of the bad results of infants that have not been treated properly. And so, we are talking about trying to save $100,000 hospital bills with reasonably small grants.

The second point that I would like to make is that, and perhaps remind ourselves, is that health care is not a local topic. Health care is delivered regional throughout this Nation. Jim Wurts alluded to his success and mentioned the word networking with other institutions, as being one of the essentials of a successful local program. In the 40 years that I have been working as a health care administrator, I am more convinced than ever now, that we need to develop regional networking health care programs on a formal basis of some sort. And there are a lot of ways that this can be done. I was glad to hear one of your earlier witnesses today talk about how six or eight counties in one Oklahoma area have gotten together to work together on a regional basis, to try to get an industry for at least one of those six counties. And somehow, we have to play down the natural competitiveness that each of us have between my town and your town 30 miles away, and instead of beating on each other, we need to start working together on a cooperative basis to develop health care programs. And then work with the urban center, so that whatever level of health care is needed for the rural resident and whatever the economic level is of that rural resident, that care is going to be available in an appropriate way.

I do not think that will happen in this country until support is given to the regionalization on a formal basis of health services. That way services can be provided appropriately to the size of each community and we can share scarce physicians, we can share nurses, we can put nurse practitioners in the clinics and so forth in the rural areas.

Then I would like to recommend that the—some of the recommendations of the House Ways and Means—budget reconciliation committee actions of June 29, it just happened last week, that those actions pertaining to rural health needs are supported by your committee. The EACH type hospital, which is called the Essential Access Community Hospital, the rural primary care hospital, RPCH, these are all going to be buzz words perhaps, in alternative ways in which small communities can be provided with health care and be financed properly on a cost basis instead of a DRG basis does not fit appropriate to these new ways to provide these programs.

I think that Medicaid itself, can be administered on a regional basis, rather than—particularly in a State as large as Texas, rather than on a statewide basis. Our problems are too different for one reason or another, in our particular State, as they are from one State to another. And I think that the closer we get to home in

managing low-income programs, the better success that we are going to have.

Finally, I would like to recommend that HCFA be encouraged to relax some of the stringent rules that they have imposed upon us in various ways, that in particularly have made it difficult on rural hospitals. The State of Texas is just now going through an exercise of trying to identify money being spent locally, which in other States are being spent at the Federal level on the Medicaid Program. I chaired a subcommittee at the State level trying to figure out ways that we could do this.

We finally came up with a plan where only the major city, urban hospitals, public hospitals of this State, can make a contribution that can meet the HCFA rules so that Medicaid, Federal matching money can be applied. Now, all of the rural hospitals that accept Medicaid patients will benefit a little bit from this program. But had those rules at the Federal level been devised a little differently it would be possible for all hospitals providing indigent health care and absorbing the costs themselves, that they could get credit for that and enhance the Federal Medicaid match.

These are just simply examples of how we can work together more closely, instead of asking for more money, in the long run from the Federal Government, we can spend our money better, and I hope, save tax money, spend less tax money to get the job done.

Thank you, sir.

Mr. ENGLISH. Thank you, Mr. Walters. Mr. Denis.

STATEMENT OF MICHAEL A. DENIS, SENIOR VICE PRESIDENT, LUBBOCK METHODIST HOSPITAL SYSTEM

Mr. DENIS. Congressman, my name is Michael Denis and I am senior vice president of Lubbock Methodist Hospital Association. We serve an area about the size of the State of Connecticut, 50 percent of our business in our hospital comes from outside Lubbock County. But we are very concerned about rural health. We spend a lot of time out there.

Now, the first thing that we would like to say is that we do not think there is any particular benefit in trying to sort of assess blame. There are a lot of factors for the dequalance that effects rural health. But we are going to assume that you are here today to see what the legislative branch of the Federal Government might be able to do to address some of these problems.

There are a lot of things, but we decided to restrict our comments to just a couple of things.

First is that it would be a good idea if Congress could suggest to the Department of Health and Human Services that they pay their bills. On the average we get between 60 to 70 percent of what it costs to provide services. That is more acute, as you know, in the rural areas, because they pay on a different rate, which borders on the absurd, because it actually costs many rural hospitals more to get things they need than it does the urban hospital.

I would say to you that certain speakers throughout the day have said that we are aware of the fact that the Federal Government is conscience of costs, that there is a large deficit and I wish I could sit before you today and tell you that what we envision hap-

pening can be done without raising taxes. We are not really speaking for myself, I have trouble grasping large numbers, $1 billion is something I do not—cannot—I have never had in my hands I do not know what it is.

But in point of fact, we do not believe that the Medicare programs, which underpins a lot of the issues that rural health care and urban health care companies face, the Medicare programs problems from our standpoint can be solved without raising taxes. There is no free lunch. And I would like to believe otherwise, I am a taxpayer. Every year since I have been paying taxes they have gone up, they have never gone down. But in point of fact, we believe that it is time to not only stop the difference between the urban and rural rates, but to start paying the bill. The DRD just does not cover the bills. The promise has not been fulfilled. In fact I say to you today that it is the single most important issue facing either the urban or the rural hospitals.

Now, second, I would say to you that beyond that payment issue, the rural hospitals face, and the rural community, face the issue of getting doctors. Now, while some people have said, well, people do not want to live in small towns, my experience and I am not from a small town, but my experience has been that they are available to go there, we would like to help recruit some people to small towns to help these rural hospitals. What we are currently faced with is the very ambiguous situation concerning what is legal and what is allowed to be done.

The Office of Management and Budget produces guidelines on how to avoid Medicare fraud abuse. The Justice Department says we do not think we like that. Medicare fraud in use, as you know Congressman, carries with it potential criminal penalties. Nobody wants to think of the possibility that they might violate the law and be subject to a criminal sanction. But trying to find out what the law is and what you can or cannot do in order to recruit physicians, assist in recruiting to the rural communities, then you will find a little confusion. So, we would say beyond the reimbursement issue, give us the clarification, make it a little easier to find out what we can and cannot do.

Now, that being said, I think we owe you some things. We owe the Congress of the United States our pledge to run efficiently. We should operate our hospitals very efficiently. And I will say to you that when I entered the business in 1966, Medicare came in, so I am a Medicare baby. At that time, I think, it is possible in fact maybe even likely, that hospitals were not efficiently run. But since the DRG system has been put in place, the fat is out of most of these organizations, now we are down to the marrow. But we owe you that, we owe you to run efficient. As some of the other speakers have said, we owe you a commitment to avoid senseless competition. Not every small hospital is going to survive, not every small town is going to have a hospital. But we have to get together and work together to see that we can look at you and say there is no—there is nothing here you can point to that was unavailable expense brought on by competition. And we owe you commitment to avoid unethical behavior. We have to be aboveboard in our dealings with not only the Federal Government, but with the physician within our communities.

Time is short, but that is what I think—we should encourage, the Department of Health and Human Services to pay their bills, lets tell the American people the truth, which is you cannot have the level of service you had in the past unless you are willing to pay for it through higher taxes. If they choose not to pay for it, that is the system, but the service level will go down, and it will not just go down in the small rural Oklahoma area, the small rural Texas area, it will go down in Dallas and Oklahoma City as well.

And then lets clean up the confusion so that we know how we can conduct our business and then we will conduct it in that manner.

Thank you.

[The prepared statement of Mr. Denis appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Denis, I appreciate the testimony. Let me say that for a point of information if you are wondering about that billion dollar question, I heard it put one time that if you relate it to seconds, $1 dollar equalling 1 second, 1 million seconds or $1 million would be equate to 12 days; a billion seconds, $1 billion dollars would be 32 years. So the difference between 1 million and 1 billion is about the difference between 12 days and 32 years. So, it is a pretty good chunk of money any way you look at it.

I think without question, as I said earlier, the Congress is moving to eliminate some of the inequity that exists between rural and urban hospitals in the way that they are compensated. I think that there is, certainly there is a strong sensitivity to that. The Rural Health Care Coalition that exists is continuing to underscore that and I think we are making some very good progress particularly in light of the budget deficit problems and the difficulties that we are facing there. It seems we are moving in that direction.

We are in contact with our colleagues on the Ways and Means Committee that has that responsibility. And we have rural members there that are pushing hard in that regard. But there is no question that rural health care is going to play a critical part in rural development, or is a critical part of rural development. No community is going to grow and develop without good health care, it is that simple.

So, we do want to emphasize, that even though we do not have jurisdiction over it, we want to underscore the fact that it is very important and we want to encourage our colleagues on the Ways and Means Committee, to address it, so I appreciate it.

Yes sir, Mr. Walters.

Mr. WALTERS. Right along that line, it is confusing as was just pointed out, with so many regulations coming from different agencies and so forth, and I know it must be confusing to Congress for various departments, various committees of Congress to be involved in this most complex subject. And I am sure the Agriculture Committee is going to have enough problems without dealing just with health care issues and it will not want to duplicate activities that other committees are involved in.

On the other hand, you could be the oversight committee to watch what the other rascals are doing and make sure that rural health needs, along with rural economic needs are being appropri-

ately met. And I think that would be a great function of your committee, I hope that you can do that.

Mr. ENGLISH. Well, we have a great deal of faith in our colleagues over on the Ways and Means Committee and it is totally their jurisdiction. We have no jurisdiction over it. So we—but we can, I think, point out through these hearings how important a role that rural health care is going to play as far as rural development is concerned and make sure that they are sensitized to that. And that is the reason we will present this testimony to them, so that they too can understand the heavy emphasis that we are placing on that role. Yes sir.

Dr. LOWRY. I am Dr. Lowry and I am from Pampa, Texas.

Mr. ENGLISH. Yes sir.

Dr. LOWRY. Could I talk for 5 minutes?

Mr. ENGLISH. Sure. Come on down. Thank you, you other gentlemen, I appreciate it.

Dr. LOWRY. I am Dr. Joe Lowry, I am not accustom to this.

Mr. ENGLISH. Well, you go ahead and identify yourself for the record here.

STATEMENT OF JOE L. LOWRY, M.D., CORONADO HOSPITAL

Dr. LOWRY. I am Dr. Joe Lowry from Pampa, Texas. I was born and raised in a town of 1,200 people in central Oklahoma. I grew up on a farm. There was one doctor and no hospital. I have been in private practice of pathology for 13 years, for the past 5 years I have been in Pampa, Texas as their only pathologist. I am a member of the Texas Medical Association and have served on their rural health committee for the past 2 years. In Pampa, I have been president of the County Society, chief of staff of the hospital and am currently chief of surgery.

With this background, I feel comfortable in discussing rural medicine in connection with rural development. I visualize economic development as resting on a platform with three legs. The first leg is local government, which must create the climate for development. The second is the local educational system. Every worker, management, or president wants a quality education for his children. The third and final leg is medical care. I feel that it is almost useless to talk about economic development without discussing medical care.

I would ask any woman who is pregnant if she would like to move to a community with no doctor, no hospital, and probably no midwife? Many communities in the panhandle are in this position. And if the current policies of the HCFA and the proposed legislation passes, others will soon follow.

First let me speak to the current HCFA policy of giving rural hospitals 40 percent less, on the average, per DRG, than urban hospitals. The only thing significantly different in a rural setting is the land cost and sometimes it is no different at all. At the present time there is a bidding war with urban hospitals for medical personnel, nurses, lab techs, x rays, doctors, and so forth. This alone, will guarantee that rural medical expenses will continue to spiral.

About 3 years ago I was at a PRO meeting—Peer Review Organization—and one official stated that HCFA had targeted over 100

rural hospitals to close. The implication was that they had a better way. At another PRO meeting, another official stated, we do not care if patients drive 50 to 100 miles for rural care, that is not our concern.

Former Congressman Beau Bolter's staff explained their solution to me. It would consist of a single regional medical center with the patients being flown or driven into this center. There would be some sort of clinic out in the rural areas that would provide stabilization in case of accidents and some continuing care on an out-patient basis.

There are several things wrong with this model. First can you imagine some 70- or 80-year-old patients driving 100 to 200 miles to a regional center for health care. The car wrecks alone would be staggering. Of course, I hear that there are some people in the Government that would look upon this as a blessing, since every time a patient dies without treatment, the budget looks better.

Mr. ENGLISH. I hope we have not got quite that cynical about it.

Dr. LOWRY. You have. But of even greater importance if you have these clinics, who would man them. And I will speak of recruiting doctors in a moment. But let us just first look at nurses and the problem with recruiting nurses.

And if it hasn't been stated, and it already has, there is a very real nursing shortage in the United States and it is almost a crisis and it will not go away soon.

Why, because the top salary of a head nurse in the United States is about $30,000; starting salaries for people with bachelor's degrees in business is $20,000 to $25,000; somebody with an MBA it is $30,000. If the same person goes onto medical school or law school, you are talking $70,000 to $100,000. Approximately one-third of medical school graduates today are women. These are only part of the women that would have been nurses 20 to 25 years ago. Let me make it abundantly clear that we will not have an increase in nurses until their salaries become competitive with business. It will just not happen. The same can be said for lab techs, physical therapists, and other medical personnel.

Back to rural hospitals. One explanation of why so many rural hospitals have closed is that there has been poor management. This reminds me of the story about a smalltown justice of the peace who was the coroner. It seems that the town had a bully that everybody hated. One day the bully was found dead with a rope around his neck. The JP, knowing that probably one of his neighbors had finally strangled the guy, took one look at the body and said the cause of death is shortness of breath. Now, that was in part the truth, just not the whole truth. So, when HCFA says rural hospitals have poor management as the reason why they are closing, that is in part the truth, but it is not the whole truth. We are paid 40 percent less than your urban cousins. We have a rope around our neck and a bad rope that is being pulled tighter everyday.

In the last 2 months, two Government funded clinics in the panhandle have closed because of lack of funds. In Dallas, they closed six city clinics, because they could not get nurses at comparative salaries. If these are the types of clinics that HCFA had in mind for carrying for the panhandle, they have made a poor showing by letting the clinics at Vega and Fritch close.

There are still several community hospitals in the panhandle that are serving the people well, they just need money. They really need the money. And if we do not get it soon, there may not be a medical facility between here and Oklahoma City.

My second topic is the proposed expenditure targets for physicians, called ET's. Under this proposal there would again be an unreal split between urban and rural doctors. Rural doctors would get what they get now, which is less than urban doctors. And as I understand it, the amount of money available to each area would be increased by the percent of inflation minus one-half percent. If the targets were exceeded, then the percentage would be reduced or eliminated.

One of the many problems with the idea, this idea, is that we already have a medical personnel shortage that is guaranteed to drive up expenses faster than inflation. If we are going to raise the salary of nurses to be competitive, there is no way that it is going to match inflation. We cannot get doctors to come to rural areas because they work more hours and get less money already. If the ET's persist it will only aggravate the situation.

Since the Government is trying to decrease the amount of money it spends, what are the alternatives. First you must come to the conclusion that Medicare has to be changed. Second, that there is no magic formula to tell us as a nation, or we as individuals, how much we should spend on medical care. Third, no nation, no company, no group can afford free or relatively free medical care. The best way to ration health care is to make the individual patient partially responsible for the bill.

About changing Medicare, AMA has studied the problem and there are—have three recommendations. Medicare could be used to beef up Medicaid and given only to people who need it. This would require a means test. This is not too popular of an idea.

There is a voucher system that could be used to give minimum basic care and then if the person needed more, he could get additional coverage.

Probably the single idea that should transcend in both of these, is that the age of 65 was picked to start Social Security because in the 1930's that was about the average lifespan. The same idea should be brought back into the picture to increase the age when benefits start. This is especially true since more people are working past the age of 65.

I have mentioned these points only briefly, because the AMA office in Washington can give you a much fuller discussion about it.

But let me restate that economic development in rural areas must depend in part upon the health of a medial system. And at the present time we are not headed for a healthy system, we need more of the pie.

[The prepared statement of Dr. Lowry appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Dr. Lowry. If we could, we need to get a copy of your testimony, I do not think we have copies of it.

Dr. LOWRY. Yes sir, I would be happy to.

Mr. ENGLISH. Appreciate your testimony, thank you very much. Our next witnesses include Dr. Glenn Wallace who is director of

Rural Mental Health, with the Oklahoma Department of Mental Health in Oklahoma City. We also have accompanying Dr. Wallace, Don Hall with the Oklahoma Department of Mental Health; Lou Northcutt, Mona Lee Brock; and also testifying will be Pat Bowen, who is director of the Panhandle Treatment Center in Guymon, Oklahoma.

So, we want to welcome you all. We have an all Oklahoma panel here, we appreciate that. Nice of you all to come all the way over here.

Dr. Wallace, I will let you go ahead and start off. We have just been handed a note that we can have the room until 4 o'clock and then they run us out of here. So, in order to get all the witnesses in, we are going to need to move very quickly, so please, please observe the 5-minute limit if you could, on your testimony and we are going to have to do away with questions, I am afraid, on this end. So, Dr. Wallace.

STATEMENT OF GLEN K. WALLACE, PSYCHOLOGIST, DIRECTOR OF RURAL MENTAL HEALTH, OKLAHOMA DEPARTMENT OF MENTAL HEALTH

Mr. WALLACE. We have tried to limit our comments to 5 minutes.

Mr. ENGLISH. Thank you.

Mr. WALLACE. We want to thank you, Mr. Chairman, Congressman English, and Congressman Sarpalius, for letting us appear before you.

I would like to start out by talking about farm dependent rural areas in Oklahoma which are suffering what I could call community depression. We have communities that are made up now of collectively depressed individuals, and the symptoms of that community depression is similar to what you would find in someone that has long-term chronic depression. This country may have lost over 600,000 farm families in the 1980's, and anthropologists predict that the loss of community leaders in the 1980's may have more of an adverse affect on this Nation than the Great Depression of the 1930's.

The sociological effects of losing our young leaders, as borne out in the Dr. Bill and Judith Heffernan studies of the University of Missouri, the loss of these leaders such as Sunday school teachers, baseball coaches, physicians, and the loss of the rural community institutions such as churches, schools, hospitals, and the loss of health, mental health, and substance abuse treatment systems may weaken this Nation even more than what happened to us in the Great Depression. And it is not over yet.

The rural economics continue to be more fragile. The loss of the social support system of the rural community could create a social and cultural psychosis like the community depression, which we often refer to as the delayed stress syndrome and what we are talking about are pockets of poverty in rural communities which will appear in lowering the quality of life for decades into the future. And these new pockets of poverty and culturally depressed rural poor have been created in western Oklahoma.

I think it is exemplified by an article I read June 2, 1989, in the New York Times by Isabelle Wilkerson, which says that she found

that rural people accounted for about one-fourth of all the stays in homeless shelters in a survey of 2,200 rural and urban counties across the land last year. And it is even worse in our breadbasket States. For example, in the same article, they found that in South Dakota, the rural poor accounted for 90 percent of the State's 4,000 homeless.

As the land values and the commodity prices decrease and the debt load increases, it is the midcareer farm family that tends to suffer the most impact. Many debt-ridden farm families are more suspicious of government, as their self-worth, their sense of belonging, and their hope for the future deteriorates. The stressed farm families have suffered a loss of relationships within their own families, as Mona Lee Brock and I continue to work suicides. These families are torn by divorce, domestic violence, and alcoholism. We see a loss of relationships with their peers, they do not go to the coffee shops anymore, they do not belong to the co-op boards. There is a loss of relationships of these communities to State and Federal Government. I tried to exemplify that in a case study that is attached to this statement.

The renaissance of the rural economic development will require Federal intervention by legislation focused on interagency collaboration. Rural community industrial foundations, local chambers of commerce must have funding incentives for model multiagency, multidiscipline, housing programs, educational programs, and social and health care programs. I might add, I do not have this in my paper, but in my ignorance, it seems like the Congress could save a lot of this human suffering and keep people on the farms by just taking the money out of an over funded bombs, bullets, and stealth bomber budget of DOD.

As an employee in the mental health field for over 30 years, the challenge for immediate corrective action seems obvious, it is necessary to revitalize the rural communities of Oklahoma. Cooperative interagency rural mental health care programs are mandated to bring back the professionals, as you have heard this morning. The social workers, the nurses, the psychologists, the physicians, and once in a while, a psychiatrist may be seen in western Oklahoma.

Categorical Federal aid is required for rural economic development. Rural economic development will need the priority that the inner cities had in the late 1960's. Now the priority should be to rural development in the 1990's. Federal block grant funding to States must be earmarked this year for rural human services. Several of our rural counties in western Oklahoma are approaching, or will by the year 2000, 20 percent elderly population, yet, most of these rural hospitals will not be utilized for programs for those elderly, or for treatment of the youth, or for mental health care programs because of current Government planning, policy, and health care facility requirements as we heard the gentleman before us talk about HCFA. And their regulations as promulgated from the Federal statutes.

This subcommittee is encouraged to take action in changing bureaucratic regulations that disenfranchise the rural health care system. These regulations are often created by pressure groups with profit motives over the years, and have resulted in vacant hos-

pital beds, with the projection that by the year 2000 only one of four rural hospitals in Oklahoma may still exist.

The tragedy of it all is that the vacant beds already paid for by the rural community taxpayers cannot be utilized for treatment because of inappropriate regulations.

Rural economic development must emphasize the access to technology. As we sit here, there are innovations and inventions taking place with the computer chip, in fiber optics and even as of late, such things as the Fax machine, which brings the rural community closer and closer. Distance is not the problem it used to be. In other words, the sacred cow that industry must be located in smog filled, crime-ridden inner cities is a fallacy.

This subcommittee can provide the professional and social support necessary for rural economic development, should aggressive funding strategies for human services be legislated. Priority funding in the 1990's, focused on interagency and cooperative social and health care funding for programs, is paramount if rural taxpayers have equal opportunity to human services as do their city cousins.

This subcommittee can keep many existing farmers on the land by legislation that uses the farmers' skills in the 1990's. The farmer can be the change agent in the 1990's, for the Congress, to improve the quality of life in the United States. Congress can use the farmers and their skills to implement the required legislation in three areas: soil conservation; environmental issues; and, reordering the farm market, farm products marketing system. A current national farm market, which is controlled by only maybe six or eight major companies, does not offer the farmer a fair price for the cost of production. Congress can correct this injustice by legislating these companies so the abuse of power over the lives of farm families will no longer continue.

Some decisionmakers must not forget that it is necessary for our Nation to produce food. The market for farm products of the 1970's will not return, we know that. And 50 percent of our wheat and corn is not apt to be exported in the 1990's, as in the 1970's. The independent farm family of the 1980's was a myth. The American farmer is ready for positive change and the farmer is necessary to implement that change in the control of insecticides, herbicides, and fertilizers that poison our environment.

In summary, technology now available and brought back to the rural community, a fair market price for the products, and new industry can bring back the rural hospital, the schools, the churches, the Sunday school teachers, the professionals and again, a wholesome, social, cultural, educational, and wellness lifestyle in the rural community.

Mr. Chairman, this concludes my statement to the subcommittee and I thank you.

[The prepared statement of Mr. Wallace appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, very much. Ms. Bowen.

STATEMENT OF PAT R. BOWEN, DIRECTOR, PANHANDLE TREATMENT CENTER

Ms. BOWEN. Thank you. I thank you for the opportunity to present this. In my testimony I presented a comprehensive role health, mental health continuum, because it seems like in the rural areas of Oklahoma, which western Oklahoma is about as rural as we can possibly get, we cover about 6,000 square miles of about a population of 32,000. In that population we are serviced by two licensed mental health professionals. And as we see our population grow with the needs that we are identifying, what we have become is experts in identifying and not having any services to deliver to the people that have identified.

It seems that we directed our services primarily to those people that we consider indigent and we have neglected to recognize the citizens who can pay and we simply shift them into our urban areas, so that our money goes out of our rural districts and does not retain itself into the rural populations.

Primarily Amarillo, Hereford, Guymon is our major public health care area, since we are so directly related interstate to Kansas and Texas. It would appear that we can take some of our insidious ideas and become intrastate instead of just inter, to where we become so protective of our own services we cannot share.

I think we do that also in our site services, in that we have little areas who we all protect what little bit of money that we have, and we tend not to divide and share. And as a result we have not yet competent professionals that are in our area and we tend not to take care of our populations.

I submitted our plans for the Guymon area, which basically are Cimmaron, Texas and Beaver Counties. We have access to the fiber-optic system in Beaver County, which we would like to see extended into our own area.

The thing that would provide for us, also is the continuum of education, the incentive for our people to also, if we cannot get people recruited into our area there is no reason why we cannot educate those people, or take people and divide and conquer so to speak in providing for them the opportunity to expand what education they have to bring back into our area. I see young people in our colleges, in our skills, not really being trained for what our needs are in the rural areas.

I do not know that—so much problem that we see in our school systems that we are not addressing educational needs, it is just that we do not have the type of education that we need to provide for our citizenry.

Most of the social services that we see in our area are not adequately educated to deal with the problems that we have. So, we have 100 percent turn over in our social services, and that is a tremendous amount of turn over where people just wash out and burn out and leave. And that is within our own citizens. So somehow, it seems that we can develop a project within our own areas that will service our area to identify the problems.

We have a college within 10 miles and primarily we do not do anything with social services, and yet that is the No. 1 career development that we see needed in our area today.

The area of substance abuse, which I am primarily involved with, we now branch out into our field systems, but again, when we are looking at per capita population in our areas, the major amount of the moneys from those grants go into the urban areas. So we are looking at going through a large population of mileage trying to deliver those services and to seal, never enough money.

One of the things that we are trying to develop is a Federal grant that would provide us a pilot project to see if we can do it and if we can do it cost effectively. If we can depend on our independent moneys, combined with those grant moneys, it seems like we at some point in time can be at least somewhat similar to a free standing base or more health services.

Thank you.

[The prepared statement of Ms. Bowen appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, I appreciate that Ms. Bowen, thank you for being brief, I appreciate that too. Mr. Hall.

STATEMENT OF DONALD L. HALL, PUBLIC INFORMATION REPRESENTATIVE, OKLAHOMA DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES

Mr. HALL. Thank you, Chairman English, I come strictly as a messenger with two messages, one from Robert Henry the attorney general and I would like to read that statement to you if I may sir.

The purpose of this letter is to express my strong support for the Rural Partnership Act of 1989, S. 1036.

As you are aware, our State's rural economic base has been in decline over the past decade. Rural businesses in Oklahoma have been closing at an alarming rate. As I travel through our State, boarded store fronts of once thriving businesses testify to this heart breaking decline.

Government at all levels, Federal, State, and local, should recognize the inherent social and economic value of rural life to this Nation. Prosperity in large cities alone does not insure that the United States will prosper in world competition. The declining esonomic base of rural America too long ignored by Government is a serious problem which needs to be addressed for the health of our country.

I am deeply concerned about the crisis in rural Oklahoma as the shrinking economic base has created reductions in the quality of health care, education and other essential services. I believe that the Rural Partnership Act of 1989 is a long step in the right direction. Oklahomans are grateful for your leadership in the war on drugs and are also deeply appreciative of your leadership to ensure passage of this Act.

Signed by Robert H. Henry, attorney general of Oklahoma.

The second is from Don Anderson, interim commissioner of the Oklahoma Department of Mental Health and Substance Abuse Services and I will read an abbreviated portion of this statement.

Rural Oklahoma is suffering from the same problems as the entire Southwest and is typical of what is happening to rural America. The out migration of our human resources, from the farm to the city, is accelerating at a rapid pace. Health care resources, which compliment community development, are struggling for survival.

The plight of rural hospital is devastating to the communities like Mooreland, Marlow, Afton, Collinsville, Cordell, Jay, Waynoka, and recently, Thomas. Each of these communities have seen their hospital close since the implementation of DRG payment system. Collinsville and Cordell have reopened under management contracts by larger hospitals. The State department of mental health and substance abuse services, through a joint venture with hospitals in Wetumka, Sulphur, and Mangum, have provided funding for mental health and alcohol services which has stabilized the financial base and helped save these three hospitals.

Experience shows that when the hospital is belly up, the doctor leaves town, the pharmacy closes, the nurses seek employment elsewhere, so you are talking about

the collapse of the entire health care industry and this can be catastrophic to a community.

Health care services are a necessary component for rural development. Mental health services are also vital and must be a part of our health care system. If a community is to be successful in recruitment of an industry, it must have the availability of health services.

The Health Care Financing Administration, through the Medicare payment system, has been a contributing factor to the collapse of our health care delivery system in Oklahoma.

Rural hospitals receive an average of $1,000 less per DRG than their urban counterparts. Oklahoma is divided into five zones for part B reimbursement under Medicare. Doctors practicing in zone 99 receive 40 percent less than those in Oklahoma City and Tulsa; and I am talking about the same specialty, doing the same procedure.

Congress must take immediate action to provide equity in its reimbursement policy and end its discrimination against rural health care. S. 306, authored by Bentson and Dole, will help solve the hospital payment problems.

If Congress elects to implement a fee schedule, based upon a relative value system, we must be cautious not to repeat the mistakes of the past. Let us give rural Americans an equal chance for health care. We are not asking for subsidies, just equality.

Our mental health system is currently being challenged to the maximum. The financial disasters which have confronted our farm families in the recent years, have created a stress level that has contributed to increased alcohol and drug abuse, and a much greater need for mental health care services.

It is a challenge to develop a continuum of care in rural Oklahoma. Mental health specialties and treatment services must be available throughout our State. We need the support of the Federal Congress in recognizing the necessity of comprehensive health care in rural Oklahoma. Physical, mental, and social well being is a dream of every American.

We must find creative ways to attract psychiatrists to rural Oklahoma. Psychologists and social workers are also poorly distributed. Forty-one percent of our State's population is rural, yet less than 15 percent of the State's psychologists practice in rural Oklahoma. State-wide 249 licensed psychiatrists were practicing on July 1, 1988. Only 31, or 12 percent, are in rural Oklahoma. This maldistribution of psychiatrists and psychologists illustrates how critical our shortage of mental health resources is in rural Oklahoma.

We have recently been informed that our Federal mental health block grant is being cut 10 percent. We currently have 162 contracts with providers of mental health and substance abuse services. If our Federal funds are cut on October 1, 1989, we have to reduce our grants accordingly.

Many existing programs and services will have to be cut. Services are very minimal in rural areas. Any further cuts in services in rural Oklahoma will be devastating. We are talking about human lives. It is critical that more adequate funding for mental health services be obtained. We need your help, Congressman English, and the other members of the subcommittee.

Thank you for the opportunity to make this statement before you today. Don Anderson Interim Commissioner from Oklahoma.

[The prepared statement of Mr. Hall appears at the conclusion of the hearing.]

Mr. ENGLISH. Mr. Hall, is there a request in the State, the State of Oklahoma for additional funds for this purpose?

Mr. HALL. I cannot answer that, I will refer the question to Dr. Wallace.

Mr. WALLACE. Additional funds for what purpose?

Mr. ENGLISH. From the State legislature, are there requests for additional funds from the State legislature for this purpose, for mental health in Oklahoma?

Mr. WALLACE. There have been, yes. But our revenues keep going down.

Mr. ENGLISH. Well, was there additional requests this year?

Mr. WALLACE. Yes there were.

Mr. ENGLISH. For additional funds, was that approved?

Mr. WALLACE. No, it was not. We only received minimal new funding, like $500,000 for adolescent treatment.

Mr. ENGLISH. Well, I guess the point that I would make, the Federal Government is not in any better shape than the State of Oklahoma, in regard to funding. We have the same kind of problem now that we have with Gramm-Rudman, for instance this year, just a few months ago, in fact a couple of weeks ago, we faced the problem, we had to cut $600 million out of the—out of agriculture and all the fields, not to mention some of the other problems. So, you know, that is——

Mr. WALLACE. Are you talking about for mental health—for the farms——

Mr. ENGLISH. No, I am just talking about as far the Department of Agriculture and the agricultural programs and that aspect of it, but that is happening all the way across the board, we are faced with that kind of difficulties though. I guess the point I was making is, is that the Federal Government is not in any better shape than the State of Oklahoma for any kind of increased funding, and what we are most likely looking at under the provisions of Gramm-Rudman, is probably more cuts. If we hold our own, we are going to be doing very, very well.

Mr. HALL. I might add that the department of mental health and substance abuse in Oklahoma did get an increase in war on drugs money for fiscal 1990, and we were very appreciative of that and that is being applied in, primarily in the prevention area.

Mr. ENGLISH. Good, good, I am happy to hear this.

Ms. BOWEN. I would like to add though that northwest Oklahoma did not get any of that money.

Mr. ENGLISH. They did not? How come northwest Oklahoma did not get any of that money, Mr. Hall?

Mr. HALL. We granted that through a series of grants and those grants were awarded around August 1, is that right. And I cannot tell you why northwestern Oklahoma did not get any. I think that some went to Woodward, so we cannot just rule out northwest Oklahoma.

Mr. ENGLISH. Well, what percentage of the money went to rural areas, as opposed to urban areas?

Mr. HALL. About half of it went into the farming—8 to 10 regional distribution resource network agencies.

Mr. ENGLISH. I am not sure I understand what that means. I think——

Ms. BOWEN. I have a copy of that.

Mr. ENGLISH. Ms. Bowen has a copy, can you tell us how much went to urban areas as opposed to rural areas?

Ms. BOWEN. Basically the urban areas, Oklahoma County, Cattle, Commanche, Cotton, Herman, Jackson, Jefferson, Stephens, and Tillman Counties, Lincoln and Pottawatomie Counties and I think most of these counties are connected pretty directly to a pretty fair urban sized area. Cleveland County, which is 20 miles from the Oklahoma County. And then we go to Seminole County, Bryan, Carter, North Horizons, Beckhman, Blaine, Custer, Gariaty, Greer, Kiowa, Roger Mills, and Washita Counties, which you are familiar with. MacIntosh, Muskogee, and Tulsa County, which left every-

thing from Oklahoma County back to Cimarron County without any funding at all for these.

Mr. ENGLISH. Why was that done? Now this is far afield from what we have done. I am not about to get involved in the administration of State government, just out of curiosity, Dr. Wallace, can you tell us why that was done, just out of curiosity?

Mr. WALLACE. OK. I do not work in substance abuse, but I will give you my version. First of all I think they were competitive grants. It is sort of like some of the competitive Federal grants where the best grants are funded. About that time we had a change of commissioners, I may be thinking about prevention money.

Ms. BOWEN. This is prevention money, because we did not get turned down on technical assistance.

Mr. WALLACE. And the new commissioner's philosophy was based on per capita, which was a new concept. And so that moved some moneys around that were designated for rural areas, back into the Tulsa area, primarily.

Mr. ENGLISH. That per capita then, that would mean that they would not have any folks in the panhandle.

Ms. BOWEN. Right.

Mr. WALLACE. But, it did not—like she said, a lot of those counties are bedroom communities to the urban areas, so it is what you define—I am with Pat, they need money, they have one program out at Fairview and at Alva, the family program.

Ms. BOWEN. We have no family services.

Mr. ENGLISH. Mr. Hall was just reading me a letter telling me all about all this stuff going to the urban areas that need to go down to the rural areas to help on rural health and I was just wondering if the State of Oklahoma is doing the same thing we are talking about the Federal Government doing.

Mr. HALL. We are talking approximately about one-half of that funding that came in and it was to go to establish these resource centers, which will serve the areas in which they are.

Mr. ENGLISH. Yes, that is something I may want to check into later. This is getting a little far afield of what we are here today for, but I find it to be of interest, since I had a little something to do on the drug money situation and with the 1988 drug bill, so that is where most of that money came from, so I would like to, if I could check on that, we can kind of—I think we have as serious a drug problem in many of our rural communities as we do in urban areas, so I would hope that we are not finding ourselves in a situation where the money is simply going to urban areas and we are leaving out the rural community.

Mr. HALL. I do not think that is what you will find, Congressman.

Mr. ENGLISH. I hope not, well I do not want to leave the panhandle out, my goodness, we want the panhandle included. Ms. Northcutt.

Ms. NORTHCUTT. Since we are short on time, should I give Mona Lee some time now, I think my testimony is not that important.

Mr. ENGLISH. Well,——

Ms. NORTHCUTT. Let you go ahead of me.

Mr. ENGLISH. Well, both of you can summarize your testimony. We would be happy to hear from both of you——

Ms. NORTHCUTT. OK.

Mr. ENGLISH [continuing]. Just go ahead and summarize your testimony and we will have her testimony in the written part of the record, so we will be in good shape, so do not worry about it and go ahead.

STATEMENT OF LOU NORTHCUTT, REGISTERED NURSE, RURAL HEALTH CARE NURSE, MARSHALL MEMORIAL HOSPITAL

Ms. NORTHCUTT. Thank you, Congressman English. I am a rural health care nurse and I sort of wanted to give you a hands on experience of what is going on out there. I certainly was delighted to hear Dr. Jolene Walsh's testimony. It seems like she has a handle on it.

As I sat here today sometimes I would be frustrated, because I am not sure that everyone does have a handle on it, even those who are working at economic development in the rural areas. Sometimes you can be very insulated from what is very real when it is not affecting you personally. If you worked for the REC right now, or some of these other institutions, you are just well insulated from this.

I want to tell you and make you all aware that we in southern Oklahoma are very grateful for Dr. Glenn Wallace and Mona Lee Brock. I am a member of the mental health board in my county and in my area and as a nurse who is working with these people who are severely depressed, the loss is tremendous. These are not people who had been poor all their lives; these are people who are the backbone of our communities and of this country.

Mona Lee and Dr. Wallace work night and day to see that lives are saved and are working together for positive solutions. They have certainly impacted my little county and my little emergency room and I appreciate them very much.

I do not know where their funds came from. But anyway, it seems like you have been told pretty much what the problem is, I am sure 5,000 times. What I think that maybe I can do for you is tell you exactly what a change in Medicare payment would have done for our rural hospital. It would have made the difference—we wrote off $950,000 in Medicare payments in bill charges. They wrote off $950,000 of it, due to Government regulations at our little hospital.

Our hospital is visibly supported by the community, they just voted a sales tax in, I think the vote was 4 to 1, I do not imagine many Congressmen would get elected by that margin, and so we were proud of it. And they also gave us $100,000 in private donations. Marshall County is not rich, $100,000 is a great deal of money from that group of people.

However, we are not going to be able to survive, unless, as you well know, we are paid differently. The only way we have made it this far, and I do want you to be aware of this, someone said earlier the only thing cheaper in the rural areas is the land, the hospital costs are the same otherwise. That is not true. Labor is cheaper. My friends who have my preparation and my expertise in Dallas

and Oklahoma City make twice, at least, what I do. And I have done that because I love my work and I love my community. I am not sure that I can continue to do that much longer. We have lost four doctors in the last 2 years for that very reason.

So, I think that if something is not done, by whoever you deem should do it, rural health care will die. It is urgent, it is serious now. The nurses and the doctors, once they are gone, I do not think will be back. And if we are gone, they are going to have substandard care. I do not think we have lost the quality yet, but we will.

I am trying to be as succinct as I can. I do want to share with you what happened last weekend, I am the emergency room supervisor at the hospital. I want you to know what a busy weekend is like out there and why regionalization is not a cure-all for the health care ills and why we do need to have hospitals in the community, the small community as much as possible.

Dr. Greg Martens and our other local physicians cover our ER in addition to their private practice. He worked 28 hours without going home. I worked 20 hours at his side. We had two patients, a 17 and 18-year-old boy and girl hit by a car. They took several hours of work. We helicoptered them out to Oklahoma City. Thank God that we had that trauma facility there for them. That he would have died, is my point, that young man would have died, had he not been within 15 minutes of our emergency room. And we do not need just a doctor in his office for that. We need a hospital.

Then a 17-year-old girl came in; her right lung was down, a spontaneous pneumothorax, or her lung collapsed for no apparent reason. And had we not been there, 10 minutes from her house, I do not believe she could have made it to the regional center, she was in severe distress.

We have saved, since we implemented our program of streptokinase. I do not know if you are familiar with that program, as part of our networking with Baptist Hospital in Oklahoma City. We are administering streptokinase therapy, which is a medicine that you give to dissolve the clot in the coronary artery when somebody has a heart attack. We have saved 17 people's myocardium. We have saved a portion of their heart. They are not disabled because we were able to do that in the community within minutes, without having to transport them. It must be done, or it should be done, within 2 hours after the infarct—heart attack; so that is why it has been so critical. So in a year and a half, I know 17 people who have been saved, because our community hospital is there to function as it should. I hope you will support the continuation of programs like that.

From my perspective, from what I see in the ER, from what I see in the neighborhood where I live, I do encourage you to please support the family farmer as much as you can. I think the concept of cottage industry is wonderful. The new technology is wonderful that is coming into the United States and we will certainly feel the difference in the rural area, but please do not forget the commodity based economy that we have.

[The prepared statement of Ms. Northcutt appears at the conclusion of the hearing.]

Mr. ENGLISH. Well, I think as you well know, from my record over these years, that is something we have never done and we will

begin working on the 1990—well in fact it is in the works already—the 1990 farm bill, that will be put together early next year, but certainly we will do the best we can in that area.

Also I say again, that the work that has been done, I know, with a number of our family farmers in the area of mental health in Oklahoma has been outstanding. There have been a lot of people that have had—well, their lives have been saved because of it. So I think that it is outstanding and there is some really, I know when there has been great tragedy, that also we have occasion to rise to great deeds and certainly successes and I think that this is one area where a lot of peoples lives are saved. I appreciate that.

And in that light, we will hear from Ms. Brock, any testimony you would like to give us.

STATEMENT OF MONA LEE BROCK, COUNSELOR AND CONSULTANT, AG-LINK FARM CRISIS HOTLINE, OKLAHOMA CONFERENCE OF CHURCHES

Ms. BROCK. Thank you, Congressman English.

I do appreciate this opportunity to be here, and Mr. Sarpalius, I especially appreciate those boots it makes me feel at home.

I would like to say just a little bit about my credentials. I am a retired educator and I think I was a master teacher as well as a master administrator. I think that I put out a lot of master students who went on to become leaders in our Nation.

Also, and equally important, is my background, rural background, having been born and reared on the farm and having lost my farm, my husband, a change of residence and a change of occupations all within 1 year. And so, I think that going back into what I am going to say, I have taken a note of everything that has been said here today from these people of different professions and I have heard and I have listened to every word of what they have said. I am coming to depend more and more upon these people from all walks in my work than ever before. Even on July 3, I was called by a farmer asking if I could deliver a baby. His wife was having a baby, but, and of course I could not, but I did get some help there who could. And so even to the medical doctors, and the point being at this point, that they did not have the money to go in for medical care. And this basically is taken from the farmers in Oklahoma.

To give you an update since almost 3 years ago, when you answered the hotline one-half day for me, here is what has happened. I have taken over 50,000 calls from farmers in Oklahoma and even from Texas and across the Nation, as well as New Zealand and Hawaii. These range from being fairly economically secure to at risk, distressed, displaced, and soon to be displaced family farmers.

An updating since that time reveals that I have cataloged 115 directly farm-related suicides, 100 questionable accidental deaths, 95 successful suicide interventions, and 1 prevention of a potential blood-bath-type-massacre at a scheduled sheriff's sale, and 4 preventions of threatened violence to creditors. This work goes around the clock.

On the brighter side, we do have a lot of resources in Oklahoma, upon which we depend. One is the department of mental health

and in the extreme emergency case calls, we do depend on Dr. Wallace namely, who meets me at a farmers home and we do arrange mental health care for the person, counseling, whatever it may be, whether it is in-patient care or out of the work area type.

The information that I have, I believe that I want to suggest to you here today that it might be of some value and some benefit to you in working through to help, to solve this problem, has been taken from farmers' views across Oklahoma. And the one message that I could say they have, is that their feeling is "No implemented plan written in Washington, DC, void of grassroots input can ever succeed," and from this collective and wise statement, I offer the following suggestions for a new and healthy development of rural America.

One, is assure that our remaining farmers, food, and fiber producers remain on their farms.

Two, assure them a cost of production plus profit for their production. This is very important in the rural communities, because, as you know, each dollar manufactured and generated is not the type to stay in our local area.

Three, avail much needed low-cost interest financing to agriculture, rural communities, and businesses.

Four, seek and utilize answers to problems from members in rural communities. They know what their needs are and they know what it will take to solve their problems. Local and community hearings need to be held in each county in each heartland State.

First of the above that I have mentioned, farm families, rural populations, and communities in rural America have decreased in numbers to the degree of practically locking entire communities, towns, businesses, schools, churches, industries, civic organizations, law, and fire enforcements to a near shut down. The family farmer has been disenfranchised by a failed policy of the agricultural area from their rights, their lands, their homes, their families, and literally turned out to pasture without grass. The result of this has been far reaching, affecting every segment of a community in rural America.

Second, no commercially written cure will work until there is a guarantee that farmers now on the farm will remain on and keep their farms. These farmers can remain on their farms when they are guaranteed the cost of production plus the profit. Until this is made possible, family farmers will continue to be disenfranchised of their belongings, consumed by corporations, and will be history. This begins the acceleration of a rapid deterioration of rural America and its economic foundation. To avoid this, think in terms of:

(a) Planning for people who have been turned off the farm to go back into farming, if they so choose. Communities across the heartland will once again become alive and they will begin to thrive.

(b) Provision for low-cost moneys financing businesses and industries located in rural areas will purchase land by those original owners who may wish to do so and provide creation of employment for the unemployed.

When this is accomplished, America will see a new rural development occur.

Third, actual workable plans can be written and utilized with success when and if taken from grassroots rural populations. The

needs of each community, though common in basics, are unique in each area. Appropriate assessment of the needs may be accomplished by focusing attention to the talents and the intelligence of local people, beginning with the farmer, the food and fiber producer, and extending outwardly to include educators, health care professionals, clergy, agri-businesses, businesses, civic leaders, law, fire enforcement leaders, rural electric cooperatives, rural water personnel, lending institution personnel, and rural mental health care personnel.

This can be worked on the local level, it can be reported to you, it can be reported into the USDA, or wherever, so the effect may take place. Needs are to be identified, plans can be seen and effected toward providing for and producing these needs.

Also identified will be detailed needs assistance. Low interest moneys will be addressed as a basic need for rural development accomplishment. A basic need for protection of a healthy rural development will be the requisite that rural land be owned and operated by a farmer, a rancher, a food and or fiber producer, rather than by those who are not actively producing.

Each member of our rural population in our community in rural towns across America clasping hands in a united effort is an example of what I have seen and listened to and heard here today. This is exactly what we are getting and volunteering to do. We are going to see a resurgence of a once prosperous, once healthy and once developed economy that once again can be seen.

This undertaking is indeed massive. But it is not impossible, and I think that the people here are representative of the heartland across the United States and I think that each of us in our areas can work together and can consider it a challenge.

And I thank you for letting me be here to appear before you today, Mr. Chairman.

[The prepared statement of Ms. Brock appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, very much. I appreciate that very much. And I want to tell each of you how much we appreciate your testimony. It is kind of you to come all the way from Oklahoma and we are happy to have your testimony in the record, as part of the record. And we will take that back with us. Thank you very much.

Our next witnesses, basically an education panel. We have Preston Kronkosky, Don Blankenship, and Dean Rea.

Mr. ENGLISH. Again, as we told our earlier witnesses, we have right now 1 hour left in the day and we have two other panels to come after you, so if you all can be as brief as possible, we would appreciate it. And I know those coming after you would appreciate it. Mr. Kronkosky.

STATEMENT OF PRESTON C. KRONKOSKY, EXECUTIVE DIRECTOR, SOUTHWEST EDUCATIONAL DEVELOPMENT LABORATORY

Mr. KRONKOSKY. My name is Preston Kronkosky, I am the executive director of Southwest Educational Development Laboratory, headquartered in Austin, Texas.

The organization I represent, Southwest Educational Development Laboratory sometimes known by its letters SEDL, was established in 1966 and is part of a nationwide primarily federally funded network of 10 regional educational laboratories serving all 50 States.

These regional educational laboratories have been designed to translate national objectives into an action that is sensitive to the culture and special needs of each region of the country. I would like to explain what SEDL and the other regional laboratories do and suggest a way that these regional laboratories can help at a vital point of leverage to foster rural economic development.

Under the leadership of a 20 person regional board of directors, SEDL serves five States, Arkansas, Louisiana, New Mexico, Oklahoma, and Texas. Almost two-thirds of the 2,300 school districts in that five State region, could be considered rural and small. SEDL has worked among, and in these schools for almost a quarter of a century. We know them, we have a keen appreciation of their vital role in the struggle to build and preserve the quality of life for their communities.

Building on our historic role as an R&D based, or best practice base, service provider, SEDL, and the other regional laboratories, since 1987, have had a unique opportunity to operate the only national program directed exclusively at rural small schools. With special targeted appropriations from the U.S. Congress, we are in our third year of helping to identify and to solve the critical problems facing rural schools.

One such problem is that rural schools are often isolated from effective training to upgrade the skills of their staffs. Therefore, SEDL has focused on improving the system of delivering staff development to rural teachers and administrators. Rural educators in our five State region are concerned that their communities will not be able to compete in a global, service based economy, if their young people do not graduate from schooling with the ability to apply knowledge to abstract tasks and to solve problems that they have not seen examples of before. So, SEDL elected to demonstrate its staff development training with a series on the teaching of thinking skills, critical thinking skills if you will. But the approach being modeled is appropriate for any needed content area.

SEDL's work under this initiative has focused on 30 demonstration sites across our five States, including Henrietta, Abernathy, Seagraves, all in Texas, and Carmen Decoma in Carmen, Oklahoma. For today, I have invited Mr. Don Blankenship, superintendent of the Seagraves Independent School District, southwest of Lubbock, to represent these schools and the others in our demonstration effort for any questions that the committee members may have.

What do regional educational laboratories have for an agricultural committee that wants to encourage rural economic development? We have an existing congressional authorization to operate wide ranging educational programs that heavily impact on one of the most vital points of leverage for the development and preservation of rural communities, the public schools.

We are already in place, working with these communities, with established community, State, and regional relationships, experi-

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enced board and staff members, and know how derived from the most current research and our own 23 years of experience. And if given the mandate, we can take some risks and help position the public schools as a point of convergence for your rural economic development effort.

The regional educational laboratories are proposing that an authorization totaling $12.5 million, be made available for fiscal year 1991, to support 10 pilot programs, 1 in each of the 10 laboratory regions. Each program will involve a three way partnership, including a land-grant university, a select group of rural communities and their schools, and of course, the regional educational laboratory.

The moneys would be allocated for cooperative, collaborative efforts in which approximately one-third of the money would go the land-grant university, one-third to the participating communities and their schools, and one-third to the regional educational laboratory. Five percent of the funds for each pilot program would be set aside for independent evaluation and for planning expanded implementation if evaluation data suggests such is warranted.

This plan would bind together the strengths of the three partners to create a new, effective, low-cost tool, without having to authorize new agencies or institutions.

The land-grant universities have community planners, sociologists, economists, and others who study and work in rural communities.

Public schools have human and physical resources that can, and should be, reorganized, to help build their communities. It is time that rural schools stop using the local tax dollars just to train students for jobs in the city.

The regional educational laboratories have experience and expertise in the organization, management, and conduct of schools to help get that job done, plus credibility as third party neutrals who can convene people, identify resources, and coordinate complex projects.

If the committee is interested, the regional educational laboratories, through their Washington, DC office, would be pleased to provide a detailed legislative proposal based on this outline. And I would be pleased, along with Mr. Blankenship, to answer questions about the regional educational laboratories and our abilities to work in such a program.

Thank you.

[The prepared statement of Mr. Kronkosky appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you. Mr. Blankenship.

STATEMENT OF DON L. BLANKENSHIP, SUPERINTENDENT OF SCHOOLS, SEAGRAVES INDEPENDENT SCHOOL DISTRICT

Mr. BLANKENSHIP. Thank you for the opportunity of appearing here today. I would like to make some comments here and read a statement.

Each year since 1985, more than a half a million rural residents in this country have packed up and moved to the city, usually in search of jobs.

Rural populations have been ebbing for decades, beginning with the mechanization of farms and while communities have tried to replace foreign jobs with manufacturing businesses, international competition with lower-wage foreign companies have now pulled the plug on that alternative.

Deregulation has not helped either. As a loss or a deterioration of rail, truck, bus, airline, and communication services have left rural communities more isolated than ever.

The picture is of a rural America that is losing on every front. Population, business, jobs, services, and spirit. The trains do not stop, Main Street is empty, and high school graduation is a ticket out of town.

We are about to lose something precious and vital in America. And the label of hope is economic development.

One key to this issue is the interdependence of institution and approaches, of which the education system is a vital part. To achieve the turn around we seek in these alarming trends, first of all Federal help is absolutely necessary. But rather than turn back the clock by trying to stimulate an agricultural economy or recreate a web of regulation, subsidies, and protections that have supported rural America in the past, Federal policy must concentrate on helping rural communities build their infrastructures and find their own ways to compete in a new economy.

Rural America must shift from dependence on production of loan-value, high-volume goods like grain and central manufactured goods, but to what? Probably no one knows for sure. High tech manufacturing and services have been suggested, but, because of rapid advances of technology the future is increasingly difficult to project.

But what ever opportunities lie behind the veil of the future, rural America will require an improved, infrastructure of transportation, communications, social and health services, and particularly education.

The basis for rebuilding America's rural economies will be human capital, and systems must be in place and operating to insure the development, application, and support of that capital in an integrated coordinated way—getting the most of every dollar invested.

Small towns can offer important alternatives for American families in the next century as urban centers become more congested and work becomes less dependent on concentrations of labor. The new economy toward which this Nation is evolving will operate on a smaller scale, with more entrepreneurship and with small businesses composing an increasing share of the economy. And this will be far better suited to rural environments.

In a USA Today poll, 39 percent of the people surveyed said they would prefer to live in a small town. But fewer than 24 percent do, according to the U.S. Census figures. The difference is opportunities. For an employment and access to essential services—education plays an important role in both. Unless we remove the present barriers to the rural America transition—and build a few key bridges—more and more of us will find ourselves packed even more tightly together, wishing we could move to the country.

How we confront these issues is a matter of priorities. Where do we invest our limited sources? Our popular device is to pick on the Defense Department. For instance, a single B–1 bomber cost twice as much as an entire Federal budget for education and research. What does this say about priorities? But the priorities in rural policy can be questioned too. Did you know that each American cow receives $1,139 in Federal support, while each American child receives $770?

Government continues to spend huge amount on the farm programs because policymakers are unsure about other strategies to maintain the populations of rural areas. But, with only one-eighth of rural employment, farms and related businesses are increasingly a small part of the picture. Rural America is much more complex.

There are some 88 Federal programs that can impact rural development, but these are administered by 2 dozen agencies. A more coherent rural development policy will be necessary if we expect to effectively impact, and this will have to include better coordination among the agencies involved, both in Washington and at the local level where programs are implemented.

An important, example of the potential of a coordinated approach lies in the central position of the public schools in rural communities. Indeed, the public schools are a symbolic core for most rural communities, their boundaries often defining the limits of the community itself and serving as a crossroads of community life.

More than symbolic are the schools' roles as important factors in economies of the rural communities. They serve as major employers and purchases of goods and services; their financial assets are also available for thoughtful investments that can recirculate tax dollars.

Schools are usually identified most clearly with their roles of producers of human capital. Developing and certifying intellectual and career related skills and fostering social responsibility. Unfortunately, in many rural areas these roles are viewed as being an expense rather an investment.

Local tax dollars financing educated systems for towns, cities, and States that are recipients of rural out-migration. Still the communities most precious resources, dollars and young people, are being consumed with little local benefit.

Combined with distress and local economies in an aging rural population, this perception often results in reluctant financial support for rural education and increasingly cynical view of education as a priority for the community.

The schools themselves are often unable to break free of traditional patterns and to find new, more appropriate ways of fulfilling the potential as partners in the community development and renewal.

That potential includes not only producing human capital at its maximum value and stays in the community, but also providing school facilities and other assets as an infrastructure for an expanded range of services that is available at the community crossroads.

In order for small schools to develop these services, because of limited funds and lack of expertise, such laboratories as SEDL

must be employed and used to plan programs that will work and to bring quality education to the rural schools and help develop the local communities.

Thank you.

[The prepared statement of Mr. Blankenship appears at the conclusion of the hearing.]

Mr. SARPALIUS [acting chairman]. Thank you, Mr. Blankenship. Mr. Rea.

STATEMENT OF DEAN REA, CHAIRMAN, LEGISLATIVE COMMITTEE, TEXAS GRAIN AND FEED ASSOCIATION

Mr. REA. Thank you, Mr. Sarpalius, I certainly want to thank you for the invitation to be here today. For the record, I am Dean Rea of Canyon, speaking for the legislative and government affairs committee of the Texas Grain and Feed Association.

Our association appears before this hearing to support your committee and its efforts to gather information and ask your support for a program to save many of our country elevators.

Some of our country elevators had little crop harvest this year. Our problem is twofold. In the elevators of the Southwest are facing the fourth bad harvest in a row.

The other problem is the adverse affect of the CRP layout program has eroded the customer base on any country elevator by as much as 70 or 80 percent. In the CRP program, participating farmers were allowed to select crop basis, were allocated to the conservation—since the CRP was land bid into the program on a per acre basis without regard to crop allotments.

The problem is most pronounced in those areas where there is mixed cotton and grain and where dry land is segregated in one part of the county that is mostly irrigated.

In cotton growing areas, most of the CRP acres came out of the grain acres, and where the choice was either the dry land or irrigated, most farmers put dry land in the CRP program.

For the disproportionately severe elevator saw customer bases that they have served for many years stripped away for a 10-year duration of the CRP program. When you are tying to keep your business open on less than 50 percent of your normal business there is little chance to survive if you lose crops to drought or other natural disasters.

We recommend that this committee uses its power and resources to partially correct this severe inequity. It uses information gathering authority to identify the economically impacted areas through an analysis of crop based histories through the county SCS offices. We would be glad to do that for you, but of course we do not have the privilege to have access to that information, whereas the Members of Congress can get it.

Proceed immediately to stop the Commodity Credit Corporation issue and loading orders to elevators and the impacted areas that would reduce their occupancy below the 50 percent of capacity until the study can be completed or the crop production returns to a more normal weather pattern or a more normal cropping practice.

For those elevators that are determined to be adversely affected for the duration of the CRP program, designate six elevators to be the storage depository elevators, while the inequity part is to prepreserve or other CCC stocks, now required by law.

As you all well know, as Members of Congress, there is 400 million bushel prepreserves to be maintained by the Commodity Credit Corporation and these small elevators can store that grain as cheap, or cheaper, than they can anywhere else.

At a time when we need to sit down with your staff, I think we can devise a plan of action that will be largely budget neutral and still provide a program that will preserve the country elevators that have been so adversely affected by the drought and the CRP program.

I do not have to tell you two, but for other Members of Congress, to many communities, the country elevator is one of the major tax bases in that county. And as these tax bases go, also will go the schools, the hospitals, and other elements within that town that depend on taxes.

Our ability to pay taxes strictly rest with our occupancy and our ability to do business. As long as the CRP program is structured as it is now, we have little or no opportunity to derive revenue from the services that we offer. We could store this grain from the CCC and it would provide, I think, a savings for the Government at no extra cost, no budgetary requirements above what already have been allocated and we would still be there at the end of the 10-year period in order to take care of the farmers when they come out of the CRP program.

I am going to conclude with that summary in order to save time. Ms. Ledbetter from Amarillo is over at her office now trying to obtain copies of the article she did on this problem out in Adrian. It is in many of our rural communities. If the elevator falls, the hospitals and the schools are going to fall with them. They are that important as far as the tax base in these rural communities are concerned.

I would be more than happy to come to Washington and work with you in any way. I am going to give you back 2 of my 5 minutes, thank you.

Mr. ENGLISH. Thank you very much, Mr. Rea, we appreciate that. Thank you gentlemen, for your testimony. It was very kind of you, thanks a lot.

Our next panel is made up of Mr. Delbert Devin, chairman, Promoting Regional Industry, Development, and Enhancement in Tulia, Texas; Mr. Carl King, who is chairman of the Texas Corn Growers Association in Dimmitt, Texas; Mr. Lewis Hinders who is with AMPI in Canyon, Texas and Mr. Buddy Cranford, who is with Great Plains Research, Conservation, and Development of Sentinel, Oklahoma and I understand he is going to be accompanied by Mr. Paul Hunter.

Mr. Devin, we are going to let you lead off and as we told our other witnesses, please summarize your testimony.

STATEMENT OF DELBERT L. DEVIN, CHAIRMAN, COMMITTEE OF NUCLEAR WASTE TASK FORCE, INC., PROMOTING REGIONAL INDUSTRY, DEVELOPMENT, AND ENHANCEMENT

Mr. DEVIN. Thank you. Mr. Chairman, I appreciate you all being here today and glad to welcome Mr. Sarpalius back home. I noticed he may not come back feeling so well, but we hope he feels better before he leaves here.

I appreciate your scheduling this hearing and giving me an opportunity to make a few remarks. Mr. Sarpalius knows who I am, what I represent. For your benefit, very briefly, the PRIDE committee is a committee of the nuclear waste task force, which was active in opposing the high level nuclear waste repository in Deaf Smith County.

We had a few funds left though and we decided we would like to help in the economic development. And we have been at this for about 17 months now and it has been done in a unique way that I would like to share with you if I might. As I said, our fund was short as we decided what to do.

We decided the best way to approach economic development in any county, and we definitely wanted to do it on a county-by-county basis, was to see what the county itself wished to do. What the people, the real grassroots people, the people wanted to do and what they wanted their county to do.

We did an economic audit, an audit of our community. We invited several people who had expertise, 10 people, in from the university, the Texas Department of Agriculture, the extension service, the utilities, from water board, several of those people came, we had 10 of them. In fact, two of them are in the room today.

These people came and they took a quick tour of Swisher County to see what Swisher County was like. They came back and then we started the next day in a series of panels. We had 22 panels, numbering a total of 150 people, who for 30 minutes sat with this hearing panel and shared with them what they saw as their problems, what they saw as their possible solutions and what they dreamed could happen. From that experience, I would like to share with you, since you are talking about finances and I have heard it mentioned many times today, I would like to share with you that this program, which Mr. Sarpalius addressed about 200 people as we kicked off, the cost of that meal plus our program ran a total of $1,500 and we did it in 4 days time. I think that is being fiscally responsible, but I want to point out it was all volunteer labor. We might try that in Congress by the way.

And I know you gentlemen did not take that seriously.

Mr. ENGLISH. Well, we appreciate you clarifying the record.

Mr. DEVIN. Out of that we formed five task forces and I would like to share with you what has happened since then.

We opened a farmers market in Tulia, it is out on Interstate 27, it is a new thing, an old barn we reconditioned. We invited people in the area to come by and buy some groceries. We also formed a marketing association. Our concept there was that too many times in the past, in agriculture, the farmers marketing capabilities have been taken away from them by the big and the large and conglomerate and urban located groups.

We had some tough weather in Swisher County, we lost our cotton crop, about 70 percent of it, and many of them farmers had chemicals on their land and we looked for alternative crops. We have, for the first time in Swisher County, some commercial production of pinto beans and black-eyed peas, as well as some other vegetables. We helped in securing contracts for these which are being grown under contract.

Another task force that was formed was one concerning a sharing of two different societies that exist in Swisher County. We have a large Hispanic population. The panelists, as they listened to the people share with them what their concerns were, came back saying they are concerned because it seems like two societies are living side by side without much communication on an adult level. We have a group that are working on that to try to break down some of the barriers that, real or imagined, exist.

One of the more important panels that we have working, and I want to spend a little time on that, is a panel on ethanol production. I heard senator, excuse me senator, you are a Congressman now. Congressman Sarpalius mentioned this morning the ethanol. We think ethanol production fits this area like a good glove fits your hand. With the needs, as far as the Clean Air Act are concerned, with the needs so far as our fuel economy and energy security for the future, with our surplus grains we have in corn and grain sorghums and wheat, we believe that ethanol production is a real and viable alternative for this area.

We know it cannot exist without tax incentives, both at a Federal level and a State level, and I know you folks have dealt with that and are dealing with it probably as you look at the farm bill. So, we would encourage that you support that sort of thing.

I know that as you undertake this job of rural development, and sometimes when we talk about rural development I have a question as to what is rural. Because many of the funds that have come down in the past seem like they end up in the urban areas, in a somewhat large overstaffed bureaucracy, that disburses the funds to the extent that the guy who has dirt under his fingernails and the gal down there as well, seldom see any of those funds used for their benefit.

And have you discussed earlier today, and other people have, a streamlining of the organizations that are in place and how these funds are disbursed, I think it is extremely important that that be done. Because the best legislation you can pass, if it is not streamlined as far as disbursement it is a failure and you know it as well as I.

Again, I want to commend you for attacking this. I think rural America is so essential. I think the moral fiber that exists in the small family structure is what makes America great and will continue to make it great and I think it is so essential that you approach this.

Thank you again, for this short time. I wanted to make it short, because I know you are looking at the clock and I have too. Thank you.

[The prepared statement of Mr. Devin appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Devin. Mr. King.

STATEMENT OF CARL L. KING, CHAIRMAN, AMERICAN CORN GROWERS ASSOCIATION AND TEXAS CORN GROWERS ASSOCIATION

Mr. KING. Mr. Chairman. Chairman English, Congressman Sarpalius and members, it is a pleasure for me to be here today on behalf of America's rural farm families. I am a farmer from Dimmitt, Texas and president of the Texas Corn Growers and the New American Corn Growers.

I am pleased to report that after 14 months of existence, the American Corn Growers Association represents members now in 27 States. We also have a foundation which is, hopefully, will grow as the days and months go by.

We are unique from any other national corn organization, because we represent the corn farmer only and our policies are totally constructed and controlled by the producer.

We are here to stay and we intend to work very closely with each of you in the months and years ahead to fashion farm legislation that benefits the agricultural producers in this country.

First of all I would like to express to you our deep appreciation to you and members of the full committee in the highly competent and expeditious manner in which you have crafted and passed the drought assistance legislation just last week. I know that you and the Senate met late into the night last Thursday to arrive at a conference report. By passing the legislation before the August recess, you have done your part to bring sufficient and much needed aid to rural America. You all deserve to be complemented.

The rural development in our opinion, is a good farm bill. Just because it is stated often to each of you does not mean it should not be restated once again. The best rural development package is the 1990 farm bill that puts price back into agriculture and turns more attention to the producer. This administration is insistent upon lower and lower loan rates, lower target prices and a processor orientated export policy.

The American Corn Growers Association strongly opposes decoupling, and we oppose the triple base plan. We ask you to carefully analyze who it is that supports these concepts and why they support them. They are not the producers who reside in each of your districts. We do favor planting flexibility and we want a program that allows farmers to respond as best as possible to market trends.

However, we are painfully aware that much of the decisionmaking is and has to be budget driven. Our approach to this budget concern is not to spend $10 billion a year to continue low prices to producers, but indeed to reduce Federal outlays by managing supply so the prices do not fall below the cost of production. Even many in the Economic Community leadership support raising our basic loan rates. We urge you to focus on higher loan rates.

If you remember, when we had the last GATT meeting, I am sure you do, Mr. Chairman, about 3 months ago in Geneva, we had our representative, John Ford over there and of course Chairman E (Kika) de la Garza, and I was heartened to hear the Chairman of the Economic Community told them through the conference that you have been deceived, you have been told to lower the loan rate to be competitive in the world market so we are here to tell you we

would like to see them raise it, because it helps all of us. I thought that was the high point in us sending John over there, it was expensive, but I think it was worth it. So I think that possibly now that the chairman and the rest of you are going to be very attentive to any further GATT negotiations which we are glad that you are.

An effective farm program is one that establishes fair loan rates and then effectively matches supply with demand, and not only by restraining over production, but only by significantly increasing usage.

Rural economic development must come from the grassroots. The American Corn Growers agree with other national farm groups such as NFD and AAM, that believe if rural economic development is to be successful, it must be defined at the local level. American Corn Growers Association is very cautious about creating another bureaucracy at USDA to tell us how to use our already limited resources.

Our experience since 1980, has shown us that USDA should be legislated with as little discretion as possible. We are willing to take our chances with you, the Congress, but the recent history of USDA is one of making discretionary decisions against the interest of the producer.

We strongly support the extensive use of county agents in rural development planning purposes, and further urge you, the Congress, to put detailed and frequent reporting requirements upon USDA, so that Congress can judge for itself where Federal dollars can do the most good for rural development.

After listening here, Mr. Chairman, this morning, there has not been a lot discussed about, outside of ethanol, that dealt with just mentioned. And of course, Congressman Sarpalius is very astute to it, because he sponsored legislation when he was a State senator to help us on this and he did help us on tax delation for ethanol.

But we are, in the Texas Corn Growers at this time right now, working on a corn-grit plant. We have been working on it for several years. There has been some—it is in the mill. A new one has just come to mind that I am working on recently, is pharmaceuticals made from corn starch. And that is—there is a lot of money involved in this out of West Germany. And there again, we go back to we are exporting our raw products and importing the packaged goods, when we should be processing our own products. That has been said many times this morning and we reiterate that.

Ethanol and environment. Strong and unqualified support for a major expansion in ethanol is one of the easiest and most dramatic steps this subcommittee can take to spur rural development throughout the Farm Belt. The largest single untapped market in the world for corn is for ethanol and the ETBE fuels as blended with gasoline.

Corn growers throughout America have much at stake in a genuine, national, expanded, and viable ethanol industry. The American Corn Growers Association calls for extension and expansion of ethanol tax incentives at both the Federal and State levels, and the American Corn Growers Association was an early and strong supporter of the rapid and full commercialization of ETBE, better known as ethel tertiary butyl ether.

In both your work as members of the Agriculture Committee, and in your role as Members voting on the floor, there are several very specific and relatively easy actions you can take for ethanol related rural development.

One, urge Treasury Secretary Brady to issue the administrative ruling, including ETBE in the blender tax credit. Over 75 Senators and a number of members of the House Ways and Means Committee called upon the Treasury to make this ruling. It is vital to America's farmers.

Two, extend to the year 2000 the excise tax exemptions for ethanol. Any extension short of that date will not provide the economic incentives for new private sector investments in ethanol production across America.

Title II of the Clean Air Act, provisions relating to mobile sources, must be amended by Congress to provide specific incentives for the use of ethanol. We will need to use all alternative fuels to clean up the air over our cities, but ethanol should get its fair share.

If you know Boyden Gray in the White House, Bush's Chief Advisor on this energy, is a methanol man. And we have nothing against methanol, particularly, but we feel like ethanol has just a big, or bigger, role because it is not only cleaner burning and gets the environment cleaner and protects the ozone, it helps farmers and that is what we are after. So we think there is room for all of them, methanol, ethanol, and ETBE also, which is a petroleum-based product.

These three specifics and yet easy steps would provide tremendous help to rural development in the Farm Belt.

Now the environment and soil restoration. Rural development must consider the present as well as the future. We must take better care of our land and get more value for the assets our land produces.

As a critical part of balancing our supply with our demand, increasing the producer price and lowering budget outlays, we strongly support expansion and redefinition of the Conservation Reserve Program. I know that has been down played here just in the last few minutes.

It does not have to be called CRP, we can call it anything, Mr. Chairman to get this going and all these other commodities out of production, get rid of these services. If we cannot make them, we should not waste them. If we cannot sell them for a profit, we should not make them, that is the way we feel about it.

Our environment, our profitability and the quality of our farmlands for future generations can all be better served if we are far more attentive to how our land is managed.

We need to work with environmentalists by monitoring the productivity of the balance of the cropland in the United States for the use of future generations by adoption of the soil restoration movement.

We appreciate the opportunity to share these thoughts with the subcommittee on behalf of America's corn growing families. Thank you, very much.

[The prepared statement of Mr. King appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. King. We appreciate your testimony very much and I would have to say I am in great sympathy with a great deal of it. Thank you, very much.

Mr. KING. Thank you, sir.

Mr. ENGLISH. Mr. Hinders.

STATEMENT OF LOUIS G. HINDERS, PRESIDENT, WESTERN DIVISION, ASSOCIATED MILK PRODUCERS, INC.

Mr. HINDERS. Chairman English and Congressman Sarpalius, it is a pleasure to appear before you here today. I appreciate very much the work that both of you have done on behalf of agriculture.

I am a dairyman from Canyon, Texas. In addition to my farm operations, I have served as corporation director for our Associated Milk Producers; I have served 5 years on the National Dairy Board in promotion, having been chairman of the advertising committee for the last 2 years.

As I appear before you today, I represent 417 dairymen, who are members of the western division of AMPI, probably 100 of them are in your area Congressman English, about 150 in yours Congressman Sarpalius and 40 in Congressman Combest's area, the rest of them in New Mexico. So we have a very specific group. We each have approximately $30,000 to $35,000 invested in our cooperative. We have a payroll of about $20 million per month. It is a very specific group, but I think that is what we are speaking to today in rural agriculture, is to keep those people, and these would be a specific group, that I think I can speak to and for, because we did have a meeting 2 weeks ago where we went over basically what we would like to have this next year.

In summarizing some of the things that we would have, would be to enhance the potential of the present dairymen. In other words, we feel that we would like to maintain an economic base for those who are currently in business.

I am not advocating a high level of direct payments to farmers, in this day of tight budget, I know that that is not a practical aspect.

In the case of dairy policy, AMPI has proposed policy changes that would place an absolute cap on Government costs by providing a standby supply management program that would make producers responsible for excess costs of the Dairy Price Support Program. I think this is budget friendly and I think it is something that can be implemented.

A few of the things that I would like to see, one of them we need more regulation on leveraged buy outs. In our area we have suffered some $5 million from a company which was purchased on a leverage buy out, the resulting corporation was not able to make it, they were on a very thin operational budget and we lost about $5 million.

Congressman Sarpalius, you did address this in the State, we do have State legislation which you sponsored, which helps us in the State. But we do not have that nationally or in all of the States. In some we have it, some we do not. But I think as a commodity that we sell and as it leaves our hands and goes to the processor or the

distributor, we should have more assurance that we are going to get our money back.

At the present time, as these cases go to bankruptcy court, we are way down the line, behind the banks and everybody else. We are an unsecured lender and have little chance of recovery.

I want to congratulate you upon the responsibility which you have taken as far as Farm Credit System. I think the Farm Credit System has been turned around. We do finance our expansion of facilities through the Farm Credit System, we find it is in much better shape and I feel much better about that.

One other source of financing that I do not think has been utilized quite as well as it might be, is the National Bank for Cooperatives, which is basically a consumer type cooperative bank, based in Washington, DC. I serve as president of an organization which put together a retirement center for persons not qualified for HUD. We used this particular bank and it has been a very good source of funding and I think it could also be used for a lot of other rural agriculture.

At the present time we are operating processing plants for further development, in other words, for further processing to get it to the consumer in El Paso, Stephenville, Muenster, Sulpher Springs, Hillsboro, Kansas, Tulsa, and Oklahoma City and a few other smaller areas.

We are in the process of selecting a site for a new $24 million processing facility which will be located in our western division. This will enable us to carry our product to—to take our raw product and process it and carry it onto the finished product.

We think that this has been a solid procedure of development and of retaining a better position in rural America. I think it is things of this nature that can better help us. We do not ask for more money, we do ask for enabling legislation which would allow us to provide standby supply management. I think this is very important for us, that we have a correlation between what we produce and what the consumer wants. I think that if we either exceed it or we are below it very much, then we will have difficulties.

We would like for you to consider enabling legislation or some type of legislation to protect the dairy farmers in the case of bankruptcies which are coming all too often these days from leverage buy outs.

We would request that you have oversight, over the Federal FDA, particularly as it relates to new technology. The specific technology of bovine growth hormones, which has a real potential of disruption or of—it might even be a great enhancer in the dairy industry. But I think that it needs more oversight at this particular time, No. 1 we have found that in our research that 50 percent of the people—the consumers would accept it; 35 percent oppose it and 15 percent say they do not know. If we would lose only 5 percent of our sales of 140 billion pounds per year, it would be—could be disastrous to us in the dairy industry. If it got to be 10 percent, which as some have indicated, it would really be a bad situation.

On the other hand, the other second item besides the consumer reaction, is the health of the individual cows. There are indications that not enough research has been done to determine the continu-

ing effect it would have on the continuing life of an individual dairy cow. So, we would ask that you give consideration to that.

Those, are in summary, the three things that we would request to give consideration, thank you.

[The prepared statement of Mr. Hinder appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Hinders. Mr. Cranford, coming all the way from Sentinel, Oklahoma.

STATEMENT OF ALBERT E. CRANFORD, CHAIRMAN, GREAT PLAINS RESOURCE CONSERVATION AND DEVELOPMENT AREA ASSOCIATION

Mr. CRANFORD. Yes sir, thank you, Mr. Chairman and your committee. Let me introduce myself, I am A.E. Buddy Cranford. That is how most people in our community know me. And I am here to talk about RC&D's, and I will get into that a little bit later.

I would like to take a short period of my time to express my deep appreciation and concern for the statements that have been made about the local farmer, that is what I am, I am a farmer in central Oklahoma, that is how I make my livelihood. I serve on different committees now trying to accomplish some conservation work.

One of those happens to be RC&D, which I will get into just a little bit later, but it is amazing that everybody testifying here says that the farmer is the man that we have to take care of and I think that is what we are all here for. And we have some people up here in Congress that are taking care of us. I think we are all aware of that or we would not vote for them every year.

It is good to be here. It is good to be a farmer, where you can come up and express your views. Now then, I have—I am a member of the soil conservation district in my area. And in turn, I got on the RC&D board. Now our farmers in our community have been knocked down, dragged around and got to the point where we are ready to fight back and we are going to. And we have found the tool to fight back with, RC&D.

That is a soil conservation funded program that we are using. Now, we are going to solicit gradually more funds, we do not want a whole lot more funds because we know they are not available, but we are going to solicit those, one of our tools to use in the years to come.

But let me explain how our RC&D works. As a member of the conservation board, I was seated on my RC&D board, which serves eight counties in our area. I thought well, we are sitting here with a tool that gets very little funding and it is just going to set there. But as we have been having meetings across our area and across our State and I just left Oklahoma City talking to people, Oklahoma conservation groups and Oklahoma Conservation Commission, they sent me out here with this message.

We have a tool, Congressman, that we want to use. There has been talk about funding and I have suggestions on the last page of my testimony, we would like FmHA to get out of these and let us, as RC&D areas, use these funds in our expertise. In other words, fund them through RC&D. That has been discussed at no length here. At quite a length too.

Our board consists of approximately 15 people. To get seated on a board for an RC&D council, you have to be a farmer, you have to be a mayor, you have to be on the chamber of commerce, a doctor, a banker, the people, the grassroots people in our community serve on your RC&D boards, the people that know what is going on. So, when you make decisions on what RC&D is going to do to promote recourse conservation, and development in our rural areas, those commitments are made by people that are on the land and living in these small communities.

The community I live in is approximately 1,000 people. And the people that are on my board, they do not live in a community over 5,000. So, we know what the problem is, RC&D is one of the best tools, in our opinion, that we have going for us.

What we would like to recommend, Oklahoma has covered about halfway with RC&D areas, the United States is probably the same percentage, maybe 50 percent. We would like to recommend that it is hard to get an RC&D area approved. We would like to see this regulation eased up a little bit where we can possibly have twice that many in say 10 years. If we had twice that many RC&D areas in the United States, they can take care of rural development. They can take care of rural conservation and they can use the natural resources of that area in implementing rural development.

What—let me explain shortly—quickly and I am going to quit, we have a grant writing program that we have established. We work with RC&D's, we work REC, rural electric, rural water, we work with hospitals we work with water systems, we work with sewer systems, law enforcement, everybody has access to this and we are getting to where we are intertwined with all of these people that have testified here today. RC&D has the capability of working with all the people that have testified here today. It is a tool that we need to be using, it is already funded, SCS happens to be a part of it, and I am not a great SCS fan, but I think they have a good program here and they are accessible to us.

I have the secretary of the National Association of RC&D with me and I am going to quit at this time and turn it over to him, thank you.

[The prepared statement of Mr. Cranford appears at the conclusion of the hearing.]

Mr. ENGLISH. Mr. Hunter, you are going to have to be very very brief. We have three other people and we have 15 minutes to hear them all in.

Mr. HUNTER. My written testimony is brief, my oral testimony will be very brief I assure you.

Mr. ENGLISH. OK, your written testimony will be made a part of the record, without objection.

STATEMENT OF PAUL W. HUNTER, SECRETARY, NATIONAL ASSOCIATION OF RESOURCE, CONSERVATION AND DEVELOPMENT COUNCILS

Mr. HUNTER. Thank you. On behalf of the RC&D program, our program has proved to work best in two ways, as a catalyst to help bring about needed changes and as an umbrella group to bring to-

gether the many sources of technical expertise and funding necessary to make progress in rural development in our area.

The strength of the RC&D program is in its grassroots approach, as Mr. Cranford just said. We are local people of very diverse backgrounds and interests, working together to identify local problems and bring solutions to those problems, with very limited assistance and no dictation from the Federal Government.

As this committee considers rural development legislation, I urge you to provide for expansion of the RC&D programs to those rural areas, where it is not now available and to make RC&D the umbrella agency for coordinating all USDA rural development efforts, thank you.

[The prepared statement of Mr. Hunter appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Hunter, appreciate your brevity too, that is very kind of you. Thank each and every one of you for testifying, Buddy thanks a lot for coming over.

Our last panel today is made up of Mr. David Soileau, who is with the Texas Department of Highways and Public Transportation from Austin; Mr. Don Kimbrell, who with the Texas American Agriculture Movement of Happy, Texas; and, Mr. Gary King, who is with the Texas Department of Commerce in Austin. So, I want to welcome each of you gentlemen here and Mr. Soileau, we will let you start off.

STATEMENT OF DAVID E. SOILEAU, PLANNING AND RESEARCH ANALYST, TEXAS DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION

Mr. SOILEAU. Thank you, Mr. Chairman, we appreciate your committee's coming here to listen to us and I am going to kind of cut to the chase, I will leave it to my written remarks that I have turned in to sort of do the setting of why we think transportation is perhaps the fourth leg, if not floor, on which Dr. Lowrey's table rests.

In terms of the goals that we would see for transportation affecting rural development, we think the economic development of rural America is essential to the preservation and enhancement of the economic vitality of the entire Nation. And adequate rural transportation facilities are essential, not only to accommodate the personal transportation needs of the rural community, but also to encourage national industrial growth.

Poor roads, inability to operate at posted speed limits, detours around posted bridges, all these increase the operating cost to those who must use roads to transport their goods to market. Roads in fair condition increase truck costs, the same as if tax on diesel fuel were increased by 32 cents per gallon.

Rural economic development must begin by bringing the condition of rural roads and the bridges up to a use level that will not discourage businesses and industries from locating in rural areas. The preservation of the existing surface transportation system is essential to the rural economic development. It has been estimated that the economic growth of the Nation as a whole would be improved if the deterioration of the highway network were halted.

Economic growth and demand for transportation services go hand in hand. Even moderate growth and rate of travel is estimated to bring an increase in demand for transportation services by at least 50 percent and perhaps as much as 100 percent.

Highways, bridges, and transit systems in the Nation's rural areas must be preserved and maintained. Where needed those systems must be expanded. Bridges, especially, are in critical need.

Secretary of Transportation Skinner, has reported that America has a $70 billion bridge problem. Texas has over 16,000 bridges that are deficient or obsolete under current standards. Of those, almost 12,000 are in rural areas, and more than half of those deficient or obsolete rural bridges are not on the State highway system. Local governments that must deal with those bridges are unable to bring those bridges into compliance on their own, yet when they seek Federal funding, they find that the Federal requirements that come with those funds make the paperwork several times more costly.

Rural Americans, like all Americans, are entitled to access to an adequate level of service from an appropriate balance of multimobile transportation facilities for goods and people. This extends beyond the local roadway system to local public transportation services and linkages with intercity public transportation.

We face a real challenge in providing full participation in our national transportation system for the rural resident, and especially for the rural elderly, the rural handicapped, and the rural poor. But it is difficult to assert that disadvantaged persons living in rural areas have a lesser right to access to employment opportunities than do similarly situated urban dwellers. Cost to providing this access could be very high particularly as the Nations rural population continues to age.

Safe transportation cuts across all modes of travel. However, certain safety issues are specific to the rural environment. For example, travel speeds are often higher on rural roads; therefore, when traffic crashes do occur, they intend to be more severe. The rural population demographics differ somewhat from the general population, too: Safety belt usage is often lower, and drunk driving involvement rate is higher than for the general population.

We have some suggested policies to deal with these conditions. First is that the relationship between transportation and economic development must be addressed not only in the context of the local economic development objectives, but also by the regional, State, and multi-State and national efforts.

Second, the Federal Government must continue to focus and guide State efforts to create and maintain the system of transportation facilities and services which are of significance to the economic health and vitality of the Nation, and should continue to provide most of the funding needs of that system.

The highway system of national significance, supported by the Federal Government, should comprise of all the existing 43,000 miles of the interstate highway system, plus 100,000 to 135,000 miles of existing and new major arterials serving interstate commerce. This system would provide the basic economic lifeline to and through America's rural regions.

Even beyond this system, rural access to markets for their produce and for the services which are regarded basic to the American way of life, is a dominant issue of national significance. And such issues must be included in the Federal agenda.

The Federal Government must continue to support and assist efforts of the States and local governments in meeting their rural access needs. In this domain, especially however, the Federal Government should allow State and local Governments maximum flexibility to treat problems as they exist, where they exist. The States should identify and implement solutions addressing their own unique world transportation needs. Federal funding assistance should be in the nature of block grants, and States should be able easily to transfer funds between rural and urban needs.

A final point is that it is important, we think, that the integrity of the user supported highway funding system be maintained. We have heard some language about alternative fuels and the importance of Federal subsidies for those fuels. If in the judgment of Congress that is appropriate and necessary to preserve the environment in this country, we think that should be done.

However, we would suggest that highway users using alternative fuel should pay an equitable share of the cost of the roadways that they drive on, and we would ask that tax subsidies for alternative fuels not come out of highway trust fund moneys. Thank you.

Mr. ENGLISH. Thank you, Mr. Soileau. Mr. King.

STATEMENT OF GARY E. KING, DIRECTOR OF FINANCE, TEXAS DEPARTMENT OF COMMERCE

Mr. KING. Thank you, Mr. Chairman and Representative Sarpalius. I am Gary King, I am from the Texas Department of Commerce, I am the director of finance. We are the primary economic development agency in the State. We are a combination of about eight prior agencies, including the old Texas Economic Development Commission, we took over the community development block grant program, work for tourism, and some other areas.

We administer the CDGB program and devote about 20 percent of our $50 million in funds to economic development in the rural areas, the 249 nonurban counties and all of the cities of under 50,000. And the recent fundings have been in a farming improvement manufacturing project in Belton, Texas, the fruit of the loom project down in the valley and some other farm related—including a grant for infrastructure purposes to one of the associate milk producers, Chief Lancing in Stephenville.

We have a fairly new economic development program that will take effect September 1, it is a conversion of our old lending program, it provides loan guarantees for rural areas, with a priority for food and fiber. Also a small product development fund that has some application to the rural areas.

We are also charged with the responsibility of the rural development commission to do much of the same of what you are doing right now.

The point I would like to make is that we have a delivery system in the State, that we have the ability to learn, as to coordinate and work laterally which we do not think is necessarily the best idea,

but we coordinate through the cogs where we need the other economic development agencies in the State.

We think our goals are in common with everybody else that has been in the room today. We think we have global interest in the State. Economic development is our first job and rural economic development is very high on our list of priorities. We would request that you just overhaul our present system, if it is not broken do not fix it, but expand what we have, work with existing systems rather than create a new bureaucracy, that is not what we need in the State.

With that, I will keep it short and thank you.

Mr. ENGLISH. Thank you very much, Mr. King. Mr. Kimbrell.

STATEMENT OF DON KIMBRELL, TEXAS STATE PRESIDENT, AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. KIMBRELL. Mr. Chairman, Mr. Sarpalius, thank you very much for your patience, I know your ears are tired and I will make my testimony brief, besides I expect you have a plane to catch here pretty quick.

It appears that the situation in Government is very similar to the situation out on the farm. There is a lot of demands being made. We have heard over and over and over here today funding needs to come from here for this, and for that, and we have heard some very good testimony, there is probably no one that is affected more by rural affairs than the people that live way out there, be it from Happy, Texas and 17 miles from there that being the nearest town and not being much of a town there anymore, we certainly understand this.

We are proud to have the facilities that we have, even here in Amarillo, for our medical care and I am glad for the testimony that the people have given on that today.

As president of the American Agriculture Movement in Texas, you probably already know what I am going to say. So, I will not spend a lot of time saying it, but if we say the same thing enough times from enough different directions, maybe it will help. I know you have some of the same ideas that we have had in the past, Congressman Sarpalius, I believe would too. But maybe together, we can keep working on some of these things and eventually get some things passed.

We are encouraged this week, not only by this hearing, but we were in Oklahoma, in Tulsa, at a State legislatures caucus and was able to testify there on crop insurance and there were several other rural issues discussed there among State legislators. I believe States are going to have to have a strong voice and strong participation in helping to strengthen the rural areas.

I would like to say, real quickly, that it seems to me and all of us in American Ag, that the things that built the rural areas in the first place, whether it be mining or agriculture or whatever, whatever built the economy in that area, is probably going to be the mainstay, and we have heard this already over and over today.

Some of the problems with our past policy, really quickly, I tried to list some advantages and some disadvantages with our programs, our farm programs from recent years.

The advantages were supposed to be cheap food and I have a question mark by that, I do not know how cheap it is when it causes the problems that we have discussed here today. More exports, I have a question mark by that also, I am not sure how much it has even helped on exports. I think we probably have not enhanced our exports by trying to be cheaper.

Some of the disadvantages have bankrupted and driven good family farmers off the land. It has made those remaining tax recipients rather than taxpayers. It has reduced buying power of the largest single sector of our economy, agriculture. Resulting in the loss of business in our rural communities, the loss of jobs throughout the Nation, and it has held down prices in other developing countries causing them to default on loans by the United States. It has held prices low for export to the U.S.S.R. and China, allowing them to spend more on weapons rather than on food, which they must buy.

This only touches the disadvantages of our failed policies of the past, but I am very encouraged because I think we have strong leadership in the country. And even though we have tried time and again to—and failed—to put in place higher loan rates and sensible supply management, it has worked in the past and I believe that leaders such as you can go back and we can continue to work together and convince people that those programs that worked during the 1940's, so many people say that it was post-war prosperity. It partly was, but a good deal of the prosperity during those years was from reasonable floors set by loan rates under storable commodities. I believe that if we would utilize these two we could build up the rural areas the way they were built in the first place. I know it is more complex and that may seem a little over simplistic, but yet if we added the multiplier effect, somebody said 1 to 7, a lot of the economists now are saying 1 to 5, we will just use 1 to 5. If we took the last 10 years and put a loan rate on all of our storable commodities and a value above the cost of production enough to make a profit and then added the multiplier effect to that, and those statistics we all know are already available. I think we will see that our national debt would have been not near where it is and we would not be having all the problems out here in the rural areas that we are.

I really thank you for your attention. I also thank the staff, I know it has been a hard day on them, they have put a lot of time putting it together and I have seen both of your staff working a lot. Thank you.

[The prepared statement of Mr. Kimbrell appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Kimbrell, I appreciate that, your testimony and you other gentlemen, thank you for your testimony.

I want to thank all the witnesses that we have had today. We have had some excellent testimony and certainly for their cooperation. They were brief and that certainly has helped us. I think we are just about on time as to what we had promised folks and that, I think, is extremely helpful to us and to them.

But, we will take this testimony with us and we will add it with the hearings that we have in other regional areas and we will

begin working in October on a bill. Hopefully, we will have one possibly ready for introduction and perhaps we will be able to move it in 1988.

We are also looking toward the farm bill, such things as crop insurance, as well as the conservation programs, so those are other aspects that are certainly going to keep this subcommittee very busy, not only throughout the rest of this year, but into 1990. So thanks again.

Mr. Sarpalius, we appreciate your hospitality sir.

Mr. SARPALIUS. Mr. Chairman, we appreciate you coming here today. I too agree, I think testimony was great. I appreciate you taking the time to be here.

Mr. ENGLISH. Well, we got a good foundation and we are ready to go on from here.

With that, if there are no other comments and no other witnesses, we will recess, subject to the call of the chair.

Mr. SARPALIUS. Thank you, very much.

[Whereupon, at 4:09 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF DENNIS U. FISHER
AND RONALD D. KNUTSON ON
RURAL DEVELOPMENT POLICY FROM
A TEXAS PANHANDLE PERSPECTIVE
BEFORE THE SUBCOMMITTEE
CONSERVATION, CREDIT AND RURAL DEVELOPMENT
AMARILLO, TEXAS
AUGUST 9, 1989

The 1990 farm bill has the potential for representing a turning point in farm policy and a renewed thrust at rural development. However, if it is going to accomplish this objective, the rural development objectives in the bill will need to be considerably different than those contained in past legislation. Our testimony will focus on the underlying reasons why there is a need for a change in the focus of federal rural development policy. It will do so from the perspective of what we have learned working with eight Texas panhandle counties over the past year combined with our years of previous experience in working with rural communities throughout Texas.

While diversity in the nature of rural development issues exists around the United States, we have found that the greatest need is for programs which emphasize improvements in human capital. The overriding problem in rural America is not for more assistance in the construction of physical facilities nor in the provision for low interest loans. It is in the need for:

- Technical assistance to help rural communities and rural businesses to adjust to the changing economic situation which confronts them.
- Support in improving systems of rural education at all levels from kindergarten through adult education.

This is not to say that enhancement in human capital is the sole need in rural America. Indeed complementary assistance with infrastructure, venture capital, guaranteed loans, and business recruiting may be needed. But most often the factor limiting rural development has been the lack of human capital.

Technical Assistance

The problems confronting rural communities do not primarily have their origin in lack of access to capital but rather in a lack of good ideas by which local leaders can solve their problems. This is a human capital problem requiring investments in technical assistance and adult education.

For the eight counties which we are working with in the Panhandle, this problem is revealed in a loss of business activity to metropolitan centers such as Amarillo. The residents of rural communities are finding it necessary or desirable to do a substantial part of their business outside of the rural area. This generalization applies not only to business goods but also to consumer goods.

In the Northwest Panhandle area, this loss of business is not only a result of an inability to capture a large share of the business of local residents but also those who drive through the region on a superior network of highways do not stop.

In the North Central Panhandle counties, there is primarily a dependence on local business. There is limited traffic through the area. Businesses simply are not retaining many local customers. This reality not only detracts from business activity within the region, it also discourages new business from locating in the region, and forces existing

businesses to close their doors.

Technical assistance is needed to evaluate the area economy, determine the specific reasons for this loss of business, and generate alternatives for dealing with the situation. Educational opportunities may be needed for business managers attempting to understand and cope with the markets they face. At this point, it may well be that federal loans are needed to make the required changes -- but only after the specific nature of the problems and its solutions have been determined.

Many of these solutions will not be found within a particular community or county acting on its own. Instead, solutions often lie in rural communities understanding their common interest and working together to solve common problems. County wide planning for rural development taxes the capabilities of local leaders but multi county planning does not fit the existing governmental structures and is often beyond reach.

Rural Education

Most of the eight counties we are working with appear to have a strong K-12 educational system, with several being exceptional. However, due to declining rural populations, there is substantial pressure in the direction of consolidation. Reconfigurration of the educational system is an agonizing process -- particularly in instances where rural children are already required to travel long distances to school.

In light of the overall human capital problem in rural areas and the need for expanded adult education, we contend that there are alternatives to consolidation of local school districts. These alternatives involve more comprehensive utilization of existing school

facilities for the maze of educational services required in rural areas.

Such a reorganized structure will come at a price which will require assistance from both the state and federal government. For example, expanded support would be required for the services in rural America provided by the network of educational laboratories to develop and test the alternative organizational structures. Implementation could be on a pilot basis in areas such as the northern Panhandle which could serve as a laboratory for reversing rural economic decline.

In other parts of Texas, educational problems are considerably more complex. They involve a combination of poverty conditions and high dropout rates combines with rural economic decline. Such combinations of problems will not be solved by assisting rural education systems alone. They will require more comprehensive approaches revitalizing the rural economy while upgrading the ability of rural schools to serve the educational needs of the entire rural population.

While a dearth of human capital is often the impediment to rural development, educational approaches don't always produce results and are often not the first choice of local leaders. Education develops human capital leading to economic development but due to selective outmigration, that investment may yield returns outside of the rural area. Our present rural educational system may be providing skills that are primarily useful outside of the rural area, thus encouraging outmigration. Some redesign is needed to provide training which gives students the option of staying.

Summary

In summary, an inadequate stock of human capital is often the limiting factor in rural economic development. Investment is needed both in technical assistance to help rural leaders and businesses cope with a changing economy and rural education. Some redesign will be necessary to broaden the scope of rural education and some state and federal assistance to insure an adequate investment in this area. Some curriculum changes will be needed to adapt education to rural cultures and provide skills which will equip students for employment locally, possibly for self employment.

Dr. Donald A. Michie, Director
Institute for Manufacturing
and Materials Management (IM^3)

TESTIMONY

My name is Donald A. Michie. I am Director of the Institute for Manufacturing and Materials Management, The University of Texas at El Paso. I am also a member of the boards of directors of the Texas/Mexico Authority, The Texas/Chihuahua Regional Commission, The Border Trade Alliance and the El Paso Foreign Trade Association. I am, finally, an economic development advisor to the U.S./Mexico Border Governors. In these affiliations, I am directly involved in the economic development planning of the Southwest Region particularly the U.S./Mexico Border.

Mr. Chairman, I am honored to have this opportunity to testify before the Subcommittee on Conservation, Credit, and Rural Development as you begin the process of drafting comprehensive rural development legislation. For those of us--and I include the Chairman in that group--who have witnessed the deterioration of the economic base of small rural communities, the development of this legislation is critical to the southwest region and to the nation as a whole. I applaud you and your distinguished ranking member for taking this important first step.

THE PROBLEM

The fundamental problem facing rural America today is its lack of integration within the industrial base of the United States. Rural America remains too isolated and too dependent on agriculture as its sole means for economic development.

THE ISSUE

The United States today is engaged in a critical struggle with foreign manufacturers to regain industrial competitiveness in domestic and global markets (Exhibit 1). Industrial competitiveness is the ability of an economy, industry or company to sell its products or services at a competitive price which yields a fair profit for the firm and, at the same time, a reasonable wage for workers. Because price is a function of costs, total cost of business determines industrial competitiveness in the marketplace.

The failure of U.S. industry to maintain industrial competitiveness has resulted in serious consequences for our national economy. Because foreign competitors have been able to market product and services at lower prices and higher qualities, consumers have purchased foreign rather than American products. With this loss of market share, the U.S. economy has experienced the rapid decline of major industries, including electronics and textiles, and erosion of U.S. competitiveness in the application and commercialization of technology.

American industries have recovered some industrial competitiveness due to the devalued U.S. dollar and the strategic use of production sharing in manufacturing. Production sharing is a business strategy used to reduce a firm's total cost of business by transferring certain production activities to lower cost, but productive, off-shore locations such as Mexico (Exhibit 2). The economic benefits of the devalued U.S. dollar have been well-documented. Reports prepared by the University of Texas at El

Exhibit 1:

GLOBAL PRODUCTION SHARING MODEL

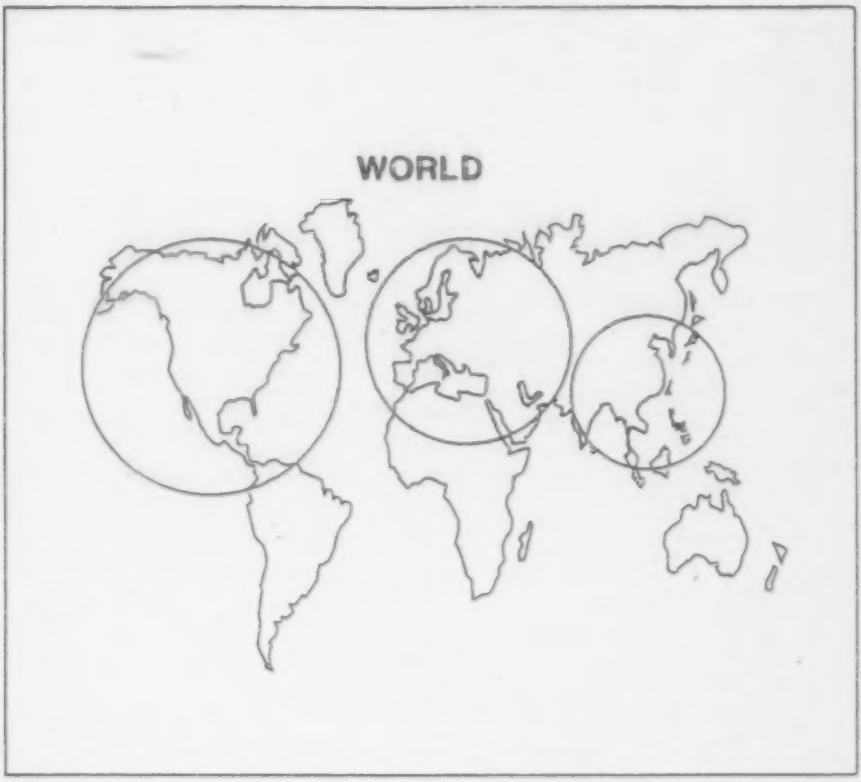

Exhibit 2:

PRODUCTION SHARING
AS A PERCENTAGE OF TOTAL U.S. IMPORTS

Year	Total Imports (Billion)	Total Imports TSUS 806.30/807.00 (Billion)	Percent of Total
1970	58.0	2.2	3.8
1983	251.0	21.6	8.6
1985	343.0	30.5	8.9
1987	382.6	49.0[1]	12.8

[1] Total 806.30/807.00 imports for 1987 were 68.5 billion dollars and total U.S. imports were 402.1 billion dollars. These figures were adjusted to account for a new U.S. user fee totaling approximately 19.5 billion dollars in 806.30/807.00 imports, a figure not included in prior years imports. Without the adjustment, 806.30/807.00 imports as a percent of total U.S. imports (1987) is 17.0

Source: Compiled from official statistics reported in USITC Publication 1920 December 1986

Paso (1987), the U.S. International Trade Commission (1988) and the U.S. Department of Labor (1988) attest to the trade and employment benefits that the business strategy of production sharing with Mexico have brought to the U.S. economy despite these production sharing successes, international industrial competitiveness remains the most serious issue confronting the U.S. economy. A recent survey concluded that Americans are most fearful of the industrial competitiveness of Japan. However the assault on U.S. industrial competitiveness will become even more intensive with the emergence of the EEC (European Economic Community) and its reduction of trade barriers in 1992.

THE CHALLENGE

Should we continue to fight the battle for industrial competitiveness by relying primarily on monetary policy and off-shore production? Are there other more effective strategies to be employed? Have we marshalled fully our national resources to address this issue? No, we have not! With the possible exception of agriculture, the battle for global industrial competitiveness to date has been waged primarily by urban America. Could we compete more effectively by integrating rural and urban America into the battle? The answer is an emphatic "Yes", Mr. Chairman, and I would like to introduce to you a program for integrating rural America into the industrial base of the U.S. economy.

In the context of rural development a community's total cost of business (TCB) environment determines its opportunity for economic development (Exhibit 3). TCB environments includes costs

Exhibit 3:

RURAL COMMUNITY TOTAL COST OF BUSINESS MODEL

Business Operations

- Labor
- Transportation
- Materials
- Other

Community Infrastructure

- Water
- Electricity
- Gas
- Sewage
- Other

Community Taxes

- Property
- Sales
- Employment
- Inventory
- Other

such as labor, utilities (gas, electricity, communications, water, sewage), land development, construction, transportation, hazardous materials and waste treatment facilities, taxes, and education. If these costs could be reduced sufficiently to create industrially competitive environments, industry would expand to rural America. The challenge is to integrate rural America into the industrial base of the U.S. economy in order to achieve a more competitive total cost of business for American industry.

A MODEL FOR RURAL ECONOMIC DEVELOPMENT

The model for rural economic development which I am presenting to you has been tailored for the Southwest Border with Mexico (Exhibit 4). With modification, the model applies to any trade area nationally. The strength of the model is its provision for strategic economic development planning and implementation based on an articulation of the community's competitive position in the marketplace. The competitive position is a function of its total cost of business environment which, in turn, is determined by the community's resource base and its barriers to growth.

The strategy is to integrate the competitive positions of rural communities into the U.S. industrial base. To illustrate, the Southwest's Paso del Norte Trade Area has a resource base consisting of abundant, youthful labor; market linkages; climate; physical environment; entrepreneurship and raw materials. Subject to infrastructure constraints, the region's rural sectors can employ these resources to develop strategic economic development

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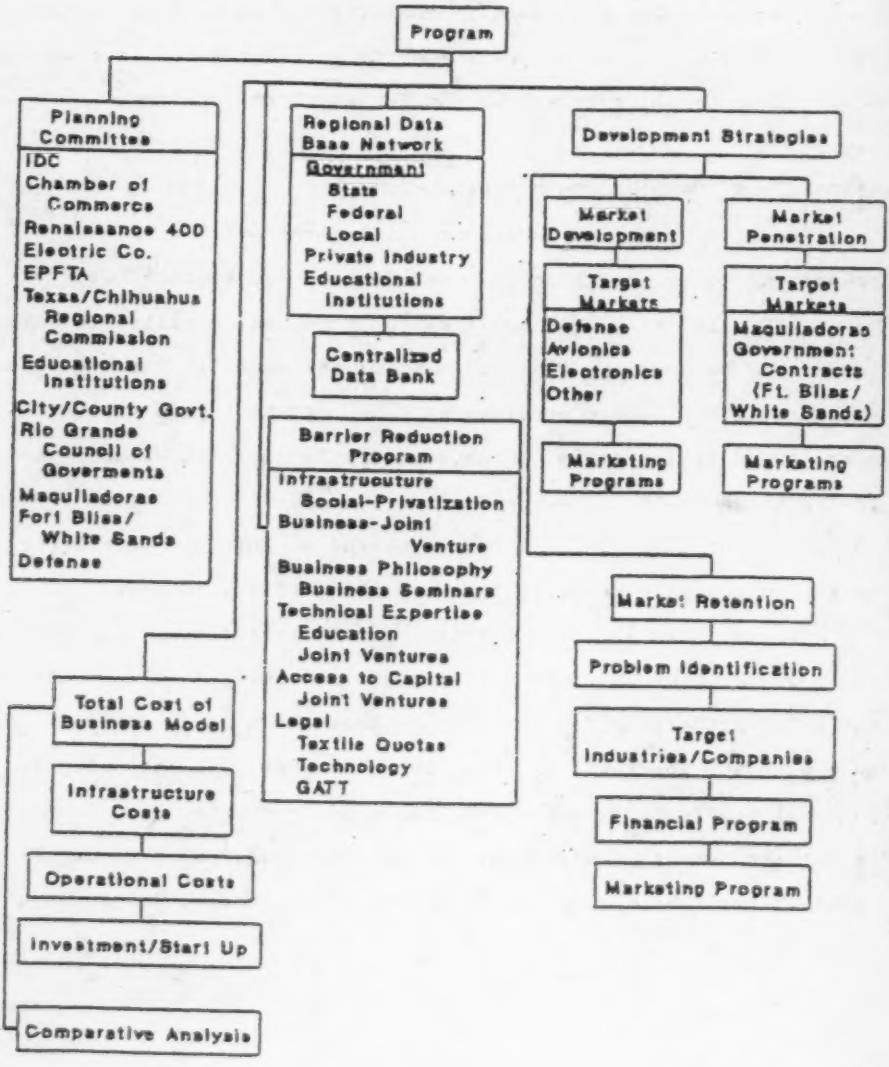
Exhibit 4:

EL PASO
ECONOMIC DEVELOPMENT PROGRAM



plans for implementation.

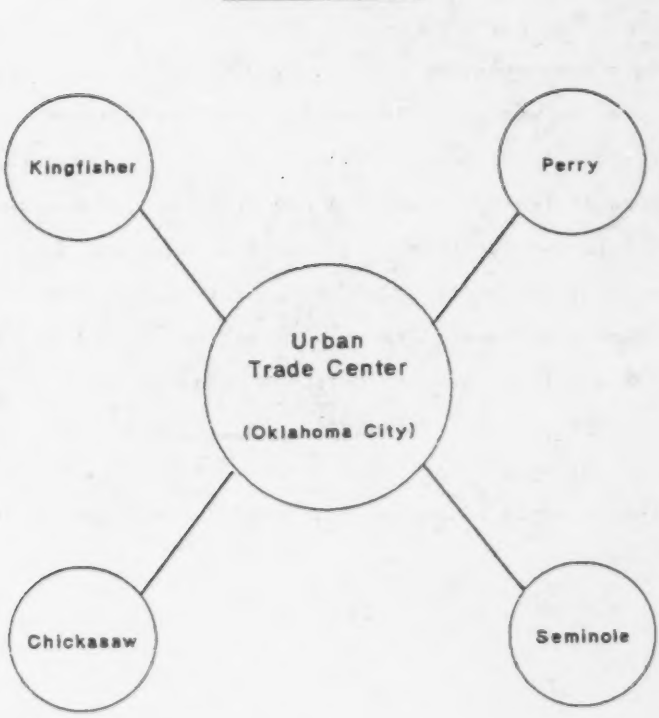
In general the economic development plan would be to transform these rural communities to materials sourcing bases for industries located in the region's rapidly growing urban areas. For instance, the rural communities of Deming, New Mexico; Alamogordo, New Mexico; Carlsbad, New Mexico; Van Horn, Texas and other smaller communities could have total cost of business environments suitable to attract investment in the metal stamping and plastic injection molding facilities necessary to support industry situated in El Paso, Texas; Las Cruces, New Mexico; and Cd. Juarez, Mexico.

Another example, Mr. Chairman, would be to transform rural communities in western Oklahoma into materials sourcing bases for industry located in Oklahoma City (Exhibit 5). Communities such as Kingfisher, Perry, Chickasha and Seminole could become sourcing bases for industrial materials including tool and die, magnetic wire and aluminum castings. Given a more competitive total cost of business environment, these communities could be integrated into the industrial base of Oklahoma City.

In short, Mr. Chairman, we are suggesting a proactive plan which will diversify the traditional agriculturally based economies of rural communities to include more industrially based activities.

Exhibit 5:

RURAL COMMUNITY INDUSTRIAL INTEGRATION MODEL



A PROPOSAL

The successful implementation of a trade area strategy for rural development depends on the joint participation of government, institutions of higher education and industry. Government must fund the infrastructure improvements necessary to create TCB environments attractive to business investment. Without this investment by government, industry will be reluctant to invest in small rural communities. Institutions of higher education must assume a leadership role in this rural economic development effort. They have the human resources and expertise to initiate, develop and implement a strategic economic development program for rural America. Mr. Chairman, I would suggest that you make these institutions the driving force behind your rural development legislative initiative. Finally, industry must be provided the necessary incentives to participate in your initiative if we are to expect them to invest in the opportunities presented.

Mr. Chairman, I would like to outline a six point program for rural economic development:

* Trade Area Economic Development Data Banks. The Congress would provide funding for trade area economic development data banks to be developed and maintained by a consortia of universities situated within regions to be delineated by the Secretary of Agriculture in consultation with the Secretary of Commerce. These data banks would provide socio-economic profiles of each trade area including an inventory of the trade area's

resource base, its barriers to growth, and an assessment of its competitive position in the industrial marketplace. The input from these data banks would be used to develop strategic economic development plans for the trade areas and rural communities within each region. The responsibility for the implementation of these plans would be jointly shared by the Secretaries of Agriculture and Commerce. We recommend 50 million dollars to implement this program nationwide in the first year; 25 million dollars per year for the following three years to maintain the database; and a sunset provision at the end of the fourth year subject to a performance evaluation.

* Rural Economic Development Infrastructure Grant Program. Based on the submission of community economic development plans by small rural communities, the Secretary of Agriculture would provide grants for the construction or improvement of infrastructure projects essential to attract industrially based development. Projects eligible for funding should include but not be limited to: health care facilities, highways and bridges, water, electricity, sewage, hazardous materials and waste treatment facilities, job training facilities, etc. The Secretary of Agriculture would be charged with coordinating this grant program with other ongoing federal programs to preclude redundancy in funding and to ensure compliance with the objectives of this legislation. We recommend a first year funding level of $1.5 billion with second and third years funding of $2.0 billion each with a sunset provision at the

end of the third year unless specifically reauthorized by the Congress.

* Trade Area Economic Development Banks. These banks, established in each region delineated by the Secretary of Agriculture, would provide low cost loans to new industrial business ventures which invest in and expand the industrial economic base of small rural communities. The purpose of these loans would be to stimulate the formation of new, diversified industry. Service industries would not be eligible for funding. We recommend a one time capitalization of $2.0 billion for the establishment of these banks. The fund would be self sustaining thereafter. The banks would be administered within the existing U.S. Federal Reserve System.

* Tax Incentive Program For Rural Industrial Development. We recommend a carefully crafted tax incentive program designed to attract industrial development investments in small rural communities. These tax incentives should be carefully balanced so as to attract new industrial investment and have a net positive effect on future tax revenues as well. These tax incentives would not be available to service industries. They would apply only to new industrial manufacturing investments whose products are exported out of the community in interstate commerce.

* Business Service Outreach Centers. The Secretaries of Agriculture and Commerce shall collaborate on a Federal grant program to provide funding to institutions of higher education to establish business service outreach centers. These centers shall

provide technical assistance to small rural communities to help them prepare and implement new economic development plans and to assist new business start-up projects. $100 million in Federal funding should be provided for each of the first two years with no matching requirement by the states or universities. In the third and fourth years of the program Federal funding would be reduced to $25 million per year, and state or university matching funds would be required to continue the business service outreach program. At the end of the fourth year the program must be self sustaining with no Federal funding provided.

*Rural Development Technology Transfer. Consistent with our efforts to integrate rural America into the industrial base of the U.S. economy, the U.S. competitive position in higher technology must be addressed as part of any rural development bill. Business Service Outreach Centers (BSOCs) must have the ability to tap into sources of new technologies in community infrastructure development including water conservation, purification, recycling and waste treatment systems; solar and geothermal alternatives to energy; disposal technologies of industrial and medical hazardous materials and wastes and landfill operations. BSOCs must share with clients information on new product and materials development available from universities and government research laboratories and agencies such as DOD and NASA. BSOC's should also facilitate industry/community production networks such as cottage industries in manufacturing, industrial machining and injection molding, as well as community industrial

manufacturing cooperatives involving multiple businesses and/or communities. The cost of establishing these important communication networks would be included under the funding recommended for the Business Service Outreach Centers.

Mr. Chairman, in the limited time available I have outlined preliminary proposals for a national industrial development strategy for small rural communities. The implementation of these proposals would be a first step in the integration of rural America into the industrial base of the U.S. economy and would strengthen our nation's ability to compete in the globalized markets of the 21st Century. We recognize that our nation is faced with tight budgets and competing priorities for Federal funding. However, I can think of no greater national priority than expanding our industrial base into rural America thereby achieving a more secure competitive position for the U.S. economy.

Mr. Chairman, I am particularly pleased that you as a representative from the Southwest have taken the initiative to introduce comprehensive rural development legislation. You understand the leadership role the Southwest Border Region will play in achieving your objectives for the program. Although my recommendations are national in scope, the Southwest Border Region is unique and worthy of special attention in your rural development bill. In fact, I recommend you give serious consideration to the dedication of an entire chapter in your bill to address the unique problems and potentials of the Southwest Border Region. I know the University of Texas at El Paso and

other regional institutions represented at this hearing would welcome the opportunity to work with you and your staff in developing a Southwest chapter in this important legislation. As the attachments to my testimony clearly illustrate, we have begun to make the case for the tremendous importance of the Southwest Border Region in the industrial competitiveness of the U.S. economy.

I would be happy to answer any questions you may have concerning my testimony.

The University of Texas at El Paso

Institute for Manufacturing and Materials Management (IMMM)

October 23, 1989

Honorable E. (Kika) de la Garza
Chairman
House Committee on Agriculture
1301 Longworth HOB
Washington, D.C. 20515

Dear Mr. Chairman:

On August 9, 1989, I testified before Representative Glenn English House Agriculture Subcommittee on Conservation, Credit, and Rural Development, regarding our views on what should be included in a comprehensive rural economic development bill to be introduced this Fall. The Senate has passed the Rural Partnership Act of 1989 (S.1036), and it is my understanding that Mr. English intends to introduce, pass, and conference his bill before adjournment sine die.

The purpose of this letter is to bring to your personal attention a package of draft bill language, enclosed for your review, that incorporates our recommendations for possible inclusion in the House rural development bill. The language was drafted after careful review of other testimony delivered in Amarillo; review of the provision of S.1036; and review of the rural economic development concepts that made particularly good sense for the U.S.- Mexico border region of the United States. In collaboration with my distinguished colleague from New Mexico State University, Dr. Curtis Graham, Dean of the College of Business Administration and Economics, I have attempted to build into our recommendations the role that the university community could play in this important rural economic development legislative effort.

The two linchpins of our proposed bill language are: (1) the creation of rural economic development data banks in each of four southwestern states, Texas, that would provide comprehensive economic development data for businesses in the southwest; and (2) the establishment of Business Service Outreach Center in each of the four southwestern states to provide comprehensive rural economic development information to small rural communities and to assist business start-up projects in the region. The university community would play a pivotal role in each of these initiatives.

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I firmly believe that both of these legislative proposals have excellent potential for improving the prospects for economic development in your district and throughout the southwestern region. Your support and any discussions of our proposals that you might have with your Committee colleague, Representative Glenn English would be deeply appreciated by the university and me. Thank you for taking the time to review this letter and our recommendations for this important legislation.

Sincerely,

Donald Michie
Director

Encl.

The University of Texas at El Paso
Institute for Manufacturing and Materials Management (IM^3)

October 20, 1989

Honorable Glenn English, Chairman
Subcommittee on Conservation, Credit and Rural Development
House Committee on Agriculture
1430 Longworth House Office Building
Washington, D.C. 20515-6001

Dear Mr. Chairman:

I wanted to belatedly thank you for allowing me the opportunity to present testimony before your House Agriculture Subcommittee on Conservation, Credit, and Rural Development in Amarillo, Texas on August 9, 1989. The hearings were most informative and presented some excellent ideas for addressing the unique rural development problems of the southwest border region of the United States. Hopefully, my testimony contributed in some small way toward developing a solid record for giving the critical southwestern states the highest possible consideration by your distinguished Subcommittee as you craft your rural development bill.

After carefully reviewing the testimony presented at the Amarillo hearing, revisiting our recommendations for addressing rural economic development problems in the southwestern region, and examining the Rural Partnership Act of 1989, as passed by the Senate, Dr. Curtis Graham, Dean of the college of Business Administration and Economics at New Mexico State University and I have consolidated our legislative recommendations into two specific proposals that we hope could be included in your rural development bill during this session of Congress. Specifically, we are proposing the establishment of a southwest region rural economic development demonstration program that would focus on two important projects.

(1) development of an integrated rural economic development data base through the use of data 'banks' in each of the four southwestern states of Oklahoma, Texas, New Mexico, and Arizona, that would provide comprehensive economic development data for businesses in the southwest; and

(2) the establishment of Business Service Outreach Centers in each of the four southwestern states, to provide comprehensive rural economic development information to small rural communities and to assist business start-up projects in the region.

The lynchpin of our proposals would be the utilization of colleges and universities in those four states with expertise in business and economic development matters to form the nucleus of the data bank and Business Service Outreach programs. We believe that our two universities can play a pivotal role in each of these important endeavors and look forward to the opportunity to do so if our proposed language were to be adopted by the Committee.

Thank you for your thoughtful consideration of this proposal and if there is anything that I can do to provide more information on our plan I would be pleased to do so. I hope that the information we have provided is useful to you and the Subcommittee as you continue your development of rural development legislation.

Sincerely,

Donald A. Michie

Donald A. Michie
Director

DAM:rlj

Enc:

PROPOSED AMENDMENTS TO S. 1036, RURAL PARTNERSHIP ACT OF 1989

INTRODUCTION:

Since the only current vehicle for amendments for enhanced rural economic development programs is the Senate-passed bill, S.1036, I have drafted the following proposed amendments to that bill in hopes that all or some of them will be incorporated into the House version of this important legislation:

Title III-- Focus on Rural America by the Department of agriculture

pp. 234, line 23:

insert the following language that will allow regional authorities, in addition to States and counties, to participate in the employment of specialists:

After the word 'counties', insert the following:

"or regional authorities established for rural economic development purposes"

pp. 235, line 15

insert the following after the word 'county':

"or regional authority established for rural economic development purposes"

pp.235, lines 19, 21, and 23:

insert the following after the word 'counties' in each of those lines:

"or regional authorities established for rural economic development purposes"

pp. 237, after line 5 but before line 6, add the following:

"Such eligible land-grant colleges and universities shall also be a primary source of rural economic and business development specialists authorized for employment under this subsection. States, counties, and regional authorities established for rural economic development purposes shall also give high priority utilizing specialists at colleges of business administration and economics at land-grant colleges and universities who will act in cooperation with Cooperative Extension Service offices and personnel."

Note: Recommend that regional authorities established for rural economic development purposes be eligible for the salary subsidy provisions of subsection (g) (4).

pp.236, lines 17-23:

increase the authorizations for fiscal year 1990 from $5,000,000 to $7,000,000.

increase the authorizations for fiscal year 1991 from $10,000,000 to $14,000,000.

increase the authorizations of fiscal year 1992 from $15,000,000 to $20,000,000, and make each subsequent fiscal year authorizations, $25,000,000.

TITLE IV:

Section 401
Local Technical Assistance Grants

pp. 240, line 13:

change the figure "$15,000,000" to "$250,000".

pp. 240, line 13:

insert the following after the words 'public bodies':

", public colleges and universities".

pp. 241, line 6:

increase the dollar amount from $7,500,000 to $15,000,000.

Proposed New Section

on page 242, at the end of line 24, add the following new section:

"Sec. 403. Southwest Region Rural Economic Development Demonstration Program

(a) Establishment of Demonstration Program -The Secretary of Agriculture, in consultation with the Governors of the states of Oklahoma, Texas, New Mexico, and Arizona, shall establish a southwest region rural economic development demonstration program in these four southwestern states, beginning in the fiscal year ending on September 30, 1990. The demonstration program shall feature a regional approach toward the establishment of the following:

(1) integrated computerized rural economic development data banks for the southwest region of the United States, to provide comprehensive economic data for existing and prospective businesses located in the southwest region; and

(2) Business Service Outreach Centers, to provide comprehensive technical assistance, research, consulting training, and other business services to small rural communities to help them prepare and implement economic development business plans and to assist new business start-up projects throughout the southwest border region.

Both the economic development data banks and the Business Service Outreach Centers to be established in paragraphs (1) and (2) of this subsection shall involve a regional partnership of institutions of higher education, managed by a lead state land-grant college or university in each of the four southwestern states participating in the demonstration program authorized in this section.

The results of this demonstration program shall serve as a prototype for comprehensive rural economic data base and business, outreach programs for other regions of the United States.

(b) Formation of Economic Development Data Banks for Southwest Region.

(1) The Secretary of Agriculture shall provide grants to develop and maintain integrated computerized rural economic development data banks for the southwest region of the United States to be and maintained by a consortia of colleges and/or universities within no fewer than five designated sectors within the four southwestern states participating in the demonstration program authorized by this section, with one stat land-grant college or university assuming the lead role for data bank development in each such sector. There shall be designated at least one lead state land-grant college or university for data bank development in Oklahoma, New Mexico, and Arizona, with at least one land-grant college or university designated for data bank development in East Texas and at least one for West Texas sectors. The designation of such lead universities shall be made by the Governors of the four southwestern states participating in the demonstration program, in consultation with the Secretary of Agriculture.

(2) A Southwest Region Economic Development Data Base Center shall be established in El Paso, Texas utilizing colleges and universities with expertise in rural economic development production sharing, and southwest border trade. Such Center shall be the primary depository for data bank information derived from the economic development data banks in the four southwestern states participating in the demonstration program authorized by this section.

(c) Functions of Economic Development Data Banks

The economic development data banks developed under this section shall provide, among other information, socio-economic profiles of each trade area, region, or sector of the southwestern region of the United States, including an inventory of such region's resource, base, its barriers to economic growth, and an assessment of its competitiveness position in the industrial marketplace. The input from these data banks would be used to develop strategic economic development plans for trade areas and rural communities within each region. Specifically, the economic data banks established under this section shall include but not be limited to --

(1) population data for each of the communities, counties, and states within the region;

(2) data and information on all retail businesses by locality; county; and community; including information on sales, types of products and services; employees; organizational forms; and affiliations;

(3) information on all components of the health care delivery system by community, county, and state, including information on physicians, hospitals, laboratories, specialized health care providers, and institutions;

(4) information on all aspects of the transportation system in the four-state region, including data on streets and highways, airline and other air access and airports, freight lines, railroad access, and limitations imposed through regulations, restrictions on transportation of hazardous materials, bridges, tunnels, landing facilities, and the current conditions of existing transportation facilities;

(5) a current inventory of all available industrial facilities for lease or sale, including information regarding age, type of construction, zoning, availability, cost, ability to renovate, utilities, incentives, an similar data;

(6) information on all public and private utilities available by community, area, county, within the four-state region, including information on extension of public utilities into rural and non-metropolitan areas, and the ability of systems to support economic growth;

(7) information on police, fire, hazardous material safety and rescue services, including information on crime rates;

(8) information on all community, county, regional and state agencies and organizations, including information on what these agencies can provide to existing and prospective businesses in the four-state region;

(9) information on all primary, secondary, community college, four year college and university programs by community, rural area, county, and state, including information on vocational educational resources and general demographic information on the student population;

(10) information on manufacturing facilities, including data by community, county, state and type of manufacturer;

(11) information on financial institutions, including size, amounts of deposits, loan policies, names of officers, and other pertinent data to assist existing and prospective economic development in rural areas of the four-state region; and

(12) information weighing the relative strengths and weaknesses of communities, counties and other locations

within the four state region with regard to rural economic development opportunities;

(13) information regarding technology transfer between the Federal, State, and local governments and private industry within the four-state southwest region;

(14) information regarding the flow of trade across the US-Mexico border and business opportunities for the southwest region derived from such US-Mexico border trade; and

(15) development of special economic models to do regional economic forecasts for the four-state southwest region.

(d) Authorizations -- There are authorized to be appropriated to carry out subsections (b) and (c) for the fiscal year ending September 30, 1990, $15,000,000; for the fiscal year ending September 30, 1991, $15,000,000; Provided That for the fiscal year ending September 30, 1992, there shall be made available from State contributions, $7,500,000 of the amount authorized to be appropriated; Provided further, That of the amounts authorized to be appropriated in this subsection for each of the fiscal years specified, no less than $1,500,000 shall be allocated for each of the economic development data banks authorized under this section.

(e) Establishment of Business Service Outreach Centers in Southwest Region.

(1) The Secretary of Agriculture, in consultation with the Governors of the states participating in the demonstration program authorized by this section, shall establish no fewer than one Business Service Outreach Center (BSOCs) in each of the following southwestern states: Oklahoma, Texas, New Mexico, and Arizona, beginning in the fiscal year ending September 30, 1990.

(2) The Secretary of Agriculture shall provide grants to establish, operate, and maintain Business Service Outreach Centers at institutions of higher education in each of the four states participating in the demonstration program authorized by this section, and in cooperation, and consultation with the Department of Agriculture's Cooperative Extension Service. Wherever possible the Secretary of Agriculture shall establish such Centers within the colleges of business administration and economics within the land grant colleges and universities where Cooperative Extension Service director reports. Such land grant colleges and universities shall utilize the services of other colleges and universities within the four southwestern states participating in the demonstration program authorized by this section, and shall give the highest priority to including in the Centers, those colleges and universities with strong expertise in U.S.-Mexico trade; production sharing; economic development; and other business services applicable

to the promotion of rural economic development in the four-state southwest region.

(3) The Governors of the four southwestern states participating in the demonstration program authorized by this section shall designate the lead land-grant college or university at which the Centers shall be established. It shall be the responsibility of the designated land-grant college or university to establish working relationships with other colleges and universities within their respective southwestern states to ensure that each Center has the requisite business and economic development expertise available as a resource for the business community in those states. It shall also be the responsibility of the designated land-grant colleges or universities to establish a close working relationship with the Cooperative Extension Service offices in their respective states, including an agreement to provide full time staff assistance upon request to the Cooperative Extension Service offices in their respective States.

(4) The Secretary of Agriculture shall monitor the progress of the land-grant colleges and universities designated by the Governors of the states participating in the demonstration program authorized by this section, in establishing the Business Service Outreach Centers authorized in this subsection, and report on a regular basis to the appropriate Committees of Congress.

(f) Functions of the Business Service Outreach Centers

It shall be the responsibility of the Business Service Outreach Centers to do the following---

(1) provide a comprehensive array of data-gathering, consulting, and training business services to existing and prospective businesses and industry with interest in locating operations in the four-state southwest region;

(2) serve as a liaison within each state between existing Small Business Development Centers; state agencies, vocational educational agencies, other community economic development organizations, and both existing and prospective new business interest;

(3) conduct studies, including 'target' industry studies for determining the benefits and costs of business to be incurred by locating a business or industry within the four state southwest region;

(4) develop special economic models to do regional economic forecasters for the four-state southwest region;

(5) analyze, develop, and disseminate to the business community new technologies in community infrastructure development, including water conservation, purification; recycling and waste treatment systems, solar and geothermal alternatives to energy, disposal technologies for industrial and medical hazardous materials and wastes, and landfill operations;

(6) share with the business community information on new product and materials development available from university and government research laboratories and agencies of the Federal Government;

(7) facilitate industry/community production networks such as cottage industries in manufacturing, industrial machining, and inject molding, community industrial manufacturing cooperatives involving multiple businesses and/or communities; and

(8) interface with the rural economic development data banks and the Southwest Region Economic Development Data Base Center in El Paso, Texas, a nd make such data available to existing and prospective businesses in the four-state southwest region through its network with the Cooperative Extension Service offices.

(g) Formation of Business Service Outreach Center Coordinating Committee

(1) The Secretary of Agriculture, in consultation with the directors of each Business Service Outreach Center, shall establish a coordinating Committee comprised of the directors of each Center. Such coordinating committee shall meet at least once each quarter of each fiscal year and shall be responsible for ensuring cooperation, coordination, and information sharing among all Business Service Outreach Centers.

(2) The coordinating committee authorized under this subsection shall be chaired by one of the directors of the Business Service OUtreach Centers, with the chairmanship of such coordinating committee rotating among the various Center directors, with a new Chairman serving for a one-year period, beginning at the start of each fiscal year. It shall be the responsibility of the Chairman of such coordinating committee to make a formal report in writing to the Secretary of Agriculture and the Governors of each of the participating southwestern states participating in the demonstration program authorized by this section. Such report shall be submitted by no later than 30 days before the end of each fiscal year.

(h) Authorization-- There are authorized to be appropriated to carry out Subsections (e), (f), and (g) of this section,

$30,000,000 for the fiscal year ending September 30, 1990; $30,000,000 for the fiscal year ending September 30, 1991; and $30,000,000 for the fiscal year ending September 30, 1993; provided, That of the amount authorized to be appropriate for the fiscal year ending September 30, 1992, $15,000,000 shall be derived from matching contributions from STate and local governments of the four states participating in the demonstration program authorized in this section; provided further, that of the amounts authorized to be appropriated in this subsection for each of the fiscal years specified, no less than $3,000,000 shall be allocated for each of the Business Service Outreach Centers authorized under this section.

College of Business Administration and Economics

NEW MEXICO STATE UNIVERSITY

Las Cruces, New Mexico 88003

RURAL ECONOMIC DEVELOPMENT IN THE U.S.-MEXICO BORDER STATES AREA

A Conceptual Background Paper

The changes in rural America have been dramatic during the 20th century. Whereas approximately 33 percent of the population lived on farms and over 50 percent lived in rural areas at the turn of the century, today only about 3 percent of the population lives on farms and only about 23 percent in rural areas. Rural America has moved from being the center of life in the United States with a heavy dependence on farming and ranching to an area housing almost one-fourth of the population dependent upon a growing diversity of economic activity. This includes manufacturing and service industries, recreation and retirement-related businesses; and, consequently, there is less dependence on farming and ranching.

The sweeping changes which have taken place in rural America have resulted not from planned development but from a myriad of causes including the technological changes in agriculture, the increasing specialization and capital requirements of farms and ranches, the "boom and bust" nature of agricultural and extractive economies, the attractiveness of farm and ranch land for alternate uses, and improvements in transportation and communication. In addition, many of the cultural differences between the rural and metropolitan populations have been removed or have lessened substantially.

Although these vast changes in the rural United States have been widely recognized and often discussed and debated, the focus of most economic development efforts has been aimed at communities, counties and, occasionally, the state level. This paper will target the unique characteristics and particular need for regional economic development focusing on the rural areas of those states located along or affected by the U.S.-Mexico border. The authors have chosen to examine the needs of the region encompassing Texas, Oklahoma, New Mexico, Arizona, and California; however, many of the ideas and concepts presented here could be expanded to include other states as well.

I. THE UNIQUE CHARACTERISTICS OF THE REGION

The economic problems facing the rural areas of the states in the border region may appear the same as problems facing rural America in general; however, the area is unique in many ways that must seriously be considered before solutions can be formulated.

While slightly less than three-fourths of the total land area of the United States is classed as rural non-federal land, over 90 percent of the land area in Oklahoma and Texas is rural non-federal land. When federal rural land is considered, the percentages in all the states in this region increase substantially. While less than one-fourth of the national population lives in non-metropolitan areas, over 50 percent of the population of New Mexico lives in non-metropolitan areas. The division of population in many of the arid regions of Texas, Oklahoma, New Mexico, Arizona, and California is greatly affected by the availability of and proximity to water. This results in some areas which are virtually

without population and other areas, adjacent to water, which are relatively populous.

The racial and ethnic characteristics of the border area are also unique. The Hispanic population, age 18 and over, represents over 20 percent of the regional population compared to approximately 7 percent nationally. New Mexico, with 36 percent of its adult population Hispanic, has the highest percentage of Hispanics of any state. Although the percentage of adult Blacks is lower in the region (8.1 percent for the region versus 11.2 percent nationally), the total percentage of adults classed as racial and ethnic minorities for the region is substantially higher than for the nation (34.7 percent for the region versus 21.4 percent nationally). This is largely due to the high percentage of Native Americans in New Mexico, Oklahoma, and Arizona and to the high percentages of other ethnic minorities in California.

Per capita incomes for most of the region are substantially below national averages and are even lower in many of the rural areas. While the per capita personal income in the U.S. in 1987 was $15,481, per capita incomes in Oklahoma ($12,551), Texas ($13,866), New Mexico ($11,875), and Arizona ($14,315) fell short. Per capita personal incomes in some rural counties in the region were less than $6,000. In many areas of the region estimates of income disparity by race and ethnicity indicate even more serious problems.

II. RURAL ECONOMIC DEVELOPMENT

While the problems of the border region are many, the strengths found in the area's unique population and cultures, its diverse and special geography, its capacity for change and expansion and its close proximity and association with Mexico encourage a

regional approach to dealing with rural economic development. A regional approach can make use of the power of state-of-the-art computers to develop the data bases and networks needed to enable the region to utilize its strengths in building a long-term program leading to a healthy regional rural economy.

Numerous past and present economic development initiatives have been made in this region. Most of these efforts have been at the local or county level with only a few efforts being made at the state level. Regional level efforts have been almost nonexistent. These efforts have suffered political and geographic limitations that narrow the scope and effectiveness of the projects. They also have failed to consider the similarity of the problems being addressed to problems faced by others in the region. Oftentimes, programs have been proposed prior to an understanding of the problem or before there is sufficient information for a feasible and workable solution. The balance of this paper examines a concept for building a service organization equipped with the information and expertise necessary to address the economic problems of the rural areas of the border region and examines some pilot projects which are already underway. This concept, when developed, would benefit all states in the region, would complement existing service organizations, and would lead to regional planning for economic development. Further, the concepts set forth in this paper will provide a pilot structure for other multi-state regions of the United States.

III. A CONCEPT FOR RURAL ECONOMIC DEVELOPMENT

A successful approach to dealing with the economic development problems of the region's rural areas must involve a regional partnership of entities capable of providing

and managing the people and information necessary to accomplish this task. This concept suggests that a partnership or consortium of state universities, managed by a lead regional state university, would provide the expertise and structure to oversee the building of a regional economic development organization. This organization would comprise a corps of trained professionals using a sophisticated computer network to provide (1) services through field business service representatives to individuals, businesses, and communities in rural areas; (2) community and area studies, profiles and forecasts; (3) target industry studies; (4) economic modeling of the economies and demographics of the border region; and (5) large computer-based data and information services. The heart of the consortium's ability to provide high-quality services to the region will lie in an enormous computer data base and a network which will provide the region with access to the information needed to make informed planning decisions.

1. Field Business Service Representatives: Described in greater detail later in this paper, this proposal entails a corps of trained professionals which will provide a variety of services throughout the region. These professionals will perform data-gathering, research, consulting, and training services within the region. They will serve as facilitators, as catalysts, and as the liaison between individuals, businesses and communities requiring services and both the consortium and other existing entities such as Small Business Development Centers, state agencies, vocational education agencies and others. The individuals employed as field business service representatives must be professionals with backgrounds in business and expertise in the strengths and problems of the rural areas in the border region.

2. Community and Area Studies: Objective characterization of the communities, counties, and areas within the region is needed in order to accomplish a long-term economic development strategy. A substantial information network is needed for researchers to determine the manner in which the components of each rural economy fit into the regional and national economies. The abilities to gather data on any particular rural area or community and to process those data into useful information are needed to determine a direction for that particular locale. The combination of information about the locale, how it fits into the regional and national economy, and a profile of interests and goals for and by the community will result in strategies which fit the needs and abilities of the community and complement planning being done for the whole region. This process will lead to selection of feasible alternatives and to informed decisions.

3. Target Industry Studies: Target industry studies are background studies aimed at evaluation of a "target" industry for determining the benefits and disadvantages of attracting a firm in that industry to the new proposed location. Target industry studies often are done prematurely because this concept assumes that substantial analysis and research would precede any target industry study. This thoroughness would assure that studies would be relevant to the community and mesh with regional goals. By aggregating data resources for the entire region, the tendency to do duplicative studies could be lessened greatly.

4. Economic Modeling: The unique characteristics of rural areas in the border region make it mandatory that special models be developed to do regional economic forecasts. Models developed for other areas and national models are inadequate in explaining the variability in the southwestern rural economy. These inadequacies are due

to the unique demographic and econometric factors found in the states in this region.

5. Computer Data Bases and Information: In order to provide leaders in the region with adequate data for making good decisions, integrated computer data bases must be developed for each area within the region. Initially, these data bases will be developed separately for each distinct rural area within the region. Later, by using common data definitions and compatible formats these data can be merged into larger-scale data bases so that regional factors can be taken into account for decision making.

The following sections of this paper expand on two of the topics briefly addressed above. These are crucial to the success of a regional economic development effort.

IV. THE FIELD BUSINESS SERVICE PROGRAM

The Field Business Service Program (FBSP) would provide the delivery of a variety of specialized consulting services to individuals, businesses and rural communities within the border region. The FBSP would involve several state universities within the five-state region including New Mexico State University, Oklahoma State University, and The University of Texas at El Paso. These universities would provide the field representatives necessary to coordinate a number of activities throughout the region. The overall responsibility for the coordination and supervision of the FBSP would be with the College of Business Administration and Economics at New Mexico State University.

In working with rural communities and areas, the Field Business Service Program professionals will provide needs assessments, data gathering, research, consulting and training services. These staff employees will serve in a variety of roles including facilitator,

catalyst, liaison, and basic researcher for each geographic area. A part of the FBSP representatives job will be to determine:

(1) What does the rural area or community want to do?

(2) What are the economic goals of the rural area or community?

(3) How does this rural area or community want to develop over both the short run and the long run?

By working with the faculty and professional staffs of the universities involved, the FBSP representatives will be able to examine alternatives and provide expert resources for each area or community. The ability of the FBSP to cover the five-state region will be enhanced by working with the offices of the Cooperative Extension Service of the U.S. Department of Agriculture and with other existing service offices including Small Business Development Centers and the state offices of vocational education. In particular, agencies in communities, counties and other entities, such as chambers of commerce and local economic development offices, will be available to assist with the tasks of the Field Business Services Program.

V. THE DATA BASE AND COMPUTER NETWORK

The heart of the entire program for rural economic development will be an integrated computerized data base for the region. This data base will be initially developed within separate state and county areas using common data definitions and compatible formats so that the data can be aggregated to form a regionally integrated base of data related to the region's economy. Access to this data base will provide information necessary to accomplish in-depth research about a given locale.

This integrated data base would provide a wide variety of data and information including:

Population: The data base should contain historical and current population data for each of the communities, counties and states within the region. Also included within the data base would be projections of population data for at least 5 to 20 years into the future.

Retail Business: The data base should contain a wide variety of data and information on all retail businesses by locale, by county and by state. Included would be information on sales, types of products and services, employees, organizational form, and affiliations.

Health Care Delivery: The data base should contain information on all components of the health care delivery system by community, county and state. Data will be included on physicians, hospitals, laboratories, specialized providers and institutions. The data base will also contain information on model configurations needed to service populations and support growth based on specific demographic factors.

Transportation Facilities: The data base must contain information on all aspects of the transportation system in the five-state region. This information should include data on streets and highways, airline and other air access and airports, freight lines, railroad access, and limitations imposed by parts of the system such as regulations, restrictions on transportation of hazardous materials, bridges, tunnels, landing facilities, and current conditions of existing facilities.

Industrial Parks and Facilities: The data base should contain a current inventory of all available industrial facilities both for lease and for sale. Information would include age, type of construction, zoning, availability, cost, ability to renovate, utilities, incentives, and similar facts.

Utilities: The data base would include information on all public and private utilities available by community, area, county, or state within the region. Information should include cost data, concessions proposed for industrial customers, alternate sources, and limitations of the facilities. Also included should be information on extension of public utilities into rural and non-metropolitan areas, and the ability of systems to support growth.

Safety: The data base would include information on police, fire, hazardous materials, and rescue services as well as information on the crime rates by types of person and property crimes. In addition the data base should include cost, availability, and reliability of other services including private and volunteer.

Governmental Organization: The data base must contain a comprehensive file of all community, county, regional, and state government agencies and organizations. This file should be kept current and should include names, addresses, telephone, and fax numbers for all entities listed. A brief synopsis would describe the functions for each governmental organization listed and the statutory basis for the organization.

Educational Facilities: The data base should include information on all primary, secondary, community college, four-year college and university programs

by community, rural area, county, and state. Also, information on vocational programs would be included since this resource is so essential to new industry. Data should include costs, types of programs, size, entrance requirements, and general demographic information on the student population.

Manufacturing Facilities: Information should be contained in the data base detailing current operating manufacturers. This data must be divided geographically by community, county, state, and type of manufacturer. This should include types of facilities, past performance, and potential areas into which each could expand.

Financial Institutions: The data base should contain current information on financial institutions including size, amounts of deposits, loan policies, names of officers, and other information.

Strengths and Weaknesses: This would be a "notebook-type" file of summary information regarding strengths and weaknesses of each rural area, community, county, and state in the region. Dated entries would provide an overview of a given area to assist a researcher either to seek more information for consideration or to reject the community due to some problem which has been noted.

The following parts of this paper describe three systems which have been developed in New Mexico to address some aspects of the integrated data base system and computer network described above.

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VI. PROSERVE

Part of a successful regional development scheme is a system which collects and disseminates information about manufacturing and public and private procurement in the area. The basis for such a regional system is in place at New Mexico State University. PROSERVE is an on-line database which aggregates purchasing activity data from several federal and state procurement offices in Southern New Mexico. The information is divided into two major divisions within PROSERVE: a history of past procurement activity and a compilation of current open bids. Soon, PROSERVE will be expanded to include information about those raw materials and components that go into manufacturing processes in the region, including cross-border trade serving the US/Mexico twin plant industry at El Paso-Juarez.

PROSERVE provides the needed market information for businesses and entrepreneurs in the area to identify market opportunities that might otherwise go unnoticed. Current or potential vendors can see the scope of the market for a given product or service through the aggregated data base. For instance, a farm chemical business might be prompted to diversify into cleaning chemicals if it were able to determine the volume of such purchases among the local school district, a regional Veterans' hospital and the local college. The process of approaching each agency individually to find this information is daunting and time-consuming, whereas the business need only view one screen or request a one-page report from PROSERVE.

Similarly, the open-bid section of PROSERVE places all of the local and regional purchasing actions at one central, easily accessed source. Thus, business can request

those open actions which are within their area of interest to be forwarded automatically via electronic or conventional mail.

A six-month demonstration project which provided the basis for PROSERVE was credited with generating about $20 million in new or additional business for local firms. Local business often found they had considerable advantages over current vendors which are located hundreds or even thousands of miles away.

In 1986, the Department of Defense alone spent $42.6 billion in the Southwest Border region. In the case of New Mexico, about half of this money went to out-of-state vendors. Any effort which increases that share even slightly will result in considerable increase in employment and incomes. PROSERVE can be expanded easily to include all federal purchases of more than $10,000 in the proposed service area. Integrating small purchases (less than $10,000) and the purchasing activities of local and state agencies and private industry would require a considerable expenditure of resources.

Additional delivery modes for PROSERVE might include direct dial-up access via computer as well as walk-in assistance at any of a number of sites such a chambers of commerce and SBDC offices.

The service offered by the PROSERVE network in the border area will mesh with bid preparation assistance centers currently in operation or proposed in all of the states in the region. Together, the two provide the ingredients for a successful diversification strategy with market information and the technical assistance needed to exploit opportunities.

Other Information Services

Once the framework for a region-wide PROSERVE-type service is in place, there will be many opportunities to expand the content and appeal of the data base. In addition to the content areas mentioned earlier, there are opportunities for:

* Interactive video training and development sessions transmitted live over the network. This component will greatly expand the reach of schools, universities and governments attempting to deliver specialized training in a cost-effective manner.
* Offering of a venture capital network which tracks both venture opportunities for investors and investor interests and required returns to help entrepreneurs locate qualified venture capitalists.
* Provision of a state/local law and ordinance clearinghouse which contains statutes that affect business within participating jurisdictions. Policies and facilities concerning the disposal of hazardous materials is an important component of this service.

Delivery of Database Services

In its current configuration, PROSERVE may be accessed in four ways: businesses may dial in on their own computers and modems directly to the NMSU computer; they may access the NMSU computer over TECHNET, which is a fiber optic network linking major population and research centers in New Mexico; they may rent a "dumb terminal" which is dedicated solely to accessing PROSERVE; or they may request printed reports

from PROSERVE staff. Other delivery avenues are being explored including the placement of terminals at local chambers of commerce and public libraries.

Public investment in a PROSERVE-type network for the Southwest Border region is justified only if easy and affordable access is allowed to its constituencies: businesses, local and state governments, and researchers.

One delivery option is the New Mexico model. Most of the components are in place or are readily available for this approach except for the availability of a high-speed fiber optic network connecting the members of the consortium. The network does not hinge on a fiber optic system; common or contract carriers may provide the network services.

VII. MAQUILADORAS

The United States border with Mexico is becoming one of the most transversed in the world in terms of trade. For the year ended December 31, 1988, the volume of twin plant trade alone to the US was $10.1 billion across the border. When trade in the traditional natural resources and manufactures originating wholly within Mexico is added, the dollar volume is over $19 billion. That makes the US-Mexico border the second most important Western border in terms of cross-border trade.

The trade is still expanding, mostly among twin plants along the border. Twin plants, also known as maquiladoras, result from an agreement between Mexico and the US which allows US raw materials and components to be shipped into Mexico duty-free, and returned in assembled form. On return, only the value added (basically from assembly operations) is subject to US duty.

In the first four months of 1989, the number of twin plants in Mexico expanded 6.4% to 1,586 plants. They employ 426,203 Mexicans (a 9.5% increase during the same four months) and imported $7.8 billion in raw materials and components. Ninety percent of the components came from the US largely from suppliers far removed from the border region. For example, the state of Illinois alone has more firms which supply the maquila industry than the states of California, Arizona, New Mexico, Texas and Oklahoma combined.

An opportunity exists to integrate the southwest states into this flow of trade. If, for example, firms in the region were able to capture just half of the projected increase in maquila supplies going into Mexico in the next 12 months, their revenues would increase about $500 million. In addition to the direct employment created, secondary employment (which is wholly US based) would increase in areas such as transportation, warehousing and support services.

Several causes have hindered the development of maquila-related trade in the region, including:

1. A general lack of market information about the nature and scope of twin plant trade, which has caused opportunities for regional suppliers to pass unnoticed.

2. Many small and medium-size businesses in the region are intimidated by the perceived complexity of paperwork and logistics surrounding twin plant trade. While the system is somewhat complex, it is highly standardized and lends itself to effective training and instruction.

3. Real and perceived cultural obstacles (such as differences in weights and measures and language) deter firms from embarking on what they see as a high-risk venture.

All of these problems can be addressed by an integrated information system and the field business service. The information system can provide the market information necessary to inform potential suppliers about the nature and scope of maquila trade. Experts in international trade attached to the field business service will provide training and assistance in negotiating the procedural and paperwork maze.

New Mexico State University is negotiating with the U.S. Customs Service for a pilot project which will track and report the kinds and volumes of raw materials going into Mexico for the twin plants at Ciudad Juarez. This project should provide information of use to businesses which can be made available on NMSU's PROSERVE network. Again, expanding this service to include all twin plant trade along the border and making the information available to the region will be a matter of scaling the project up, since much of the groundwork already has been laid.

IX. CONCLUSIONS AND RECOMMENDATIONS

The concepts presented in this paper to assist in building a structure to enable an integrated approach to rural economic development within a five-state region are vital if rural economic development is to succeed. If business and government leaders choose to let market and other forces determine the course of economic development in this region, such concepts and ideas are irrelevant. If, instead, business and government leaders wish to plan and develop the rural areas of this five-state region and to use the

region as a model for the development of rural areas in other parts of the United States, it is important that the ideas presented here be considered for incorporation into such policies and plans.

TO: Subcommittee on Conservation, Credit and Rural Development.

FROM: John T. Cluck, President
First National Bank,
Perryton, Texas

Mr. Chairman, I would like to express my sincere appreciation to you and your committee for conducting this hearing on Rural Development in Amarillo. I would also like to thank our Congressman, Bill Sarpaulis, for his efforts in holding this important meeting in the Texas Panhandle.

Mr. Batton has addressed the financial systems that are currently in place to promote commerce in our rural communities. It is my opinion that the private sector along with Government loan programs and guarantees are doing an adequate job. However, a quicker response time from FmHA (Under the B and I program) would be helpful. Also, a simplification of the application process, so that the average people will not be "turned off" in applying for credit guarantees, would increase participation.

I believe that if we are going to promote business investments in our rural communities, risk capital needs to be invested along with bank credit and Government loan programs. The availability of credit is not the problem, because every bankable request in this area is reviewed in a very positive light. Our bankers are giving their communities a full hearing on each loan request and suggesting viable alternatives if the request cannot be handled without some outside help.

In order for our rural communities to survive, we need to emphasize more than loan programs. Venture capital firms need to be encouraged to invest in rural America. Why not give Tax incentives, such as income tax moratoriams, to those companies willing to place risk capital in small industries in our rural areas? Many times it takes a little seed money to provide the impetus to start a new business.

Putting financial concerns in rural development aside, I would like to tell you about a pilot project which is being conducted in my area of the Texas Panhandle. Through a grant from the Kellogg Foundation, we have implemented a study of a four (4) county area in the North Central Texas Panhandle. Dennis Fisher and Ron Knutson, who are associated with Texas A & M University are providing the expertise in mobilizing the

efforts of community leaders in the four (4) county region. We are developing a strategic plan with goals and objectives for improving and promoting growth in our region. This study will take two (2) or three (3) years and will draw on outside help from throughout the State of Texas in developing and refining ways to achieve our goals.

This is a giant step in the right direction. It is forcing us to think in a more regional concept. Common problems know no county lines and collectively we can accomplish more than we can individually. The topics we will be studying in our four (4) county area are as follows:

(1) Business retention and expansion
(2) Business Development and industrial recruitment
(3) Health care
(4) Education
(5) Tourism
(6) Natural Gas
(7) Solid waste

In the final analysis, people make the difference. Communities which do not want to go that extra mile to better themselves will not grow and prosper. Not all small communities are going to participate in the growth of the 1990's, because some communities are very satisfied with things the way they are. However, for those of us who want a better business climate and a more progressive place to raise our families, the Government does have a responsibility. We may not be large in numbers, but many of our citizes are stong in their resolve to do something positive to make a difference in rural America.

RURAL ECONOMIC DEVELOPMENT

TOM BATTIN

PLAINS NATIONAL BANK

LUBBOCK, TEXAS

The greatest economic strength of this area has always been and continues to be its ability to produce an abundant quantity of agricultural products for markets throughout the world. This area would include West Texas, Western Oklahoma, Eastern New Mexico and the Plains of Kansas. The economic effect of this ability to produce almost unlimited quantities of food and fiber is limited in that much of these products are shipped outside the area for processing, manufacture and conversion to a form of use by the ultimate consumer. The challenge then is to provide an industrial capability in the rural area to add value to these products of the land, thereby creating a positive economic impact far exceeding the simple sale of raw materials.

The agricultural industry, in producing its products have made tremendous strides in recent times in adapting current technology in production techniques, application of state of the art equipment and the use of sophisticated research provided by industry and universities. Advances in water conservation, fertility, insect control, and other improvements have greatly enhanced the productivity of the soil.

Research is currently available and additional research underway in such places as the International Center for Textile Research and Development at Texas Tech University which would provide the

technology to develop industry to process and add value to agricultural products produced in this area. An excellent example of the success of combining raw materials technology and a processing industry is represented by the American Cotton Growers denim mill in Littlefield, Texas. Since its inception in 1976 through 1987, 5,000 area producers have received $114,000,000 in margins added to value of their cotton. An additional $12,000,000 in margins to approximately 10,000 area producers resulted in the buyout of this plant in 1987 - a tremendous boost to the economy of West Texas.

The cotton producing area of Texas processes far to little of the high quality cotton it grows. Approximately 55% of our cotton is exported to Japan, Korea and Taiwan with another 31% of our cotton being shipped to mills in other parts of the United States. Only 11% of Texas produced cotton is processed within its boarders - a loss of significant economic opportunity. We are missing the full benefits available of being America's number one cotton producer.

Cotton now holds half the total apparel and home fabric market. This puts Texas in an excellent position to take advantage of both the American and the International growing demands for natural fibers.

According to a study recently published by the Texas Department of Agriculture a sufficient competitive advantage could be gained

by textile plants located near the cotton producing areas. "By locating a textile plant in Texas, close to the raw material and the market for finished products, a manufacture can save an average of $6.71 per bail of cotton over production cost in other parts of the Nation," according to the study.

Another splendid example of an opportunity for a value added industry applied to agricultural products, exists within the grape producing and wine industry. This is a relativity new but very exciting industry that has come to the high plains of West Texas.

Extensive scientific research in the study of viticulture has revealed that unique soil and climate conditions exist in the high plains of West Texas which make it possible to produce high quality grapes in great quantities. This has provided an excellent alternative or supplementary crop to the cotton and grain crops traditionally grown in this area. Not only is the cash flow from the grape crop many times that of cotton it also uses approximately one-half the amount of water required for cotton. The trade off in this regard is the capital required to provide the materials and labor to bring a vineyard to full production. This usually occurs four to five years after the initial planting.

There is wide spread belief that this area is going to be the center of Texas grape production. Of the approximately 4,500 acres of producing grapes in Texas more than 2,200 acres are

within the 70 mile area surrounding Lubbock. The high plains area, with its 3,200 feet altitude, produces the warm days, low humidity, cool nights and the resistance to disease that is necessary to produce world class wines. This feeling has been enhanced by the fact that the three wineries in the area have consistently produced prize winning wines in competition with California, New York and international products.

Critical to the ongoing development of the grape producing industry is the development of wineries in the area to process the abundant quantities of quality grapes that are now available and will be available as additional vineyards mature.

There are many other examples of agricultural products which would adapt themselves to value added processing by industrial plants located in the areas where these commodities are produced. Examples of such products would include tanning and leather fabrication industries using the hides available from cattle produced in the area, grains, nuts, and vegetables, to name only a few.

The opportunity for economic development through an industry engaged in processing, fabricating and marketing these products clearly exists. The essential ingredient to the development of these industries is capital. The challenge then becomes one of attracting investment capital and providing appropriate term financing for the development of ag related industries in the rural producing areas.

Well known to everyone are the recent changes in the financial services industry in the southwest, particularly Texas and Oklahoma, which has severely curtailed the availability of capital financing for industry. This is especially true in rural areas. With the take over of regional financial institutions by out of State companies the focus of the investment of lending resources has been directed more to the metropolitan markets and away from rural areas. This leaves only independent financial institutions of more moderate size to address the economic development needs of smaller communities and rural areas. Therefore to achieve an economic turn around in these areas and take advantage of development opportunities, other sources of capital investment and financing must be available.

In both the examples mentioned above, the American Cotton Growers' mill and the development of a winery, financing assisted by a guarantee from the Farmers Home Administration has been the key element in developing these facilities. Through the use of limited venture capital available and resources provided by area lenders using the FMH guarantee capital was provided to make these ventures successful and greatly enhance the economic impact of products of the agricultural producers.

The congress is to be commended for the programs for financial assistance which have been provided. Clearly, substantial assistance is available through the Farmers Home Administration, the Small Business Administration and the Federal Land Bank, as

well other Federal and State loan guarantee and assistance programs. These programs are available and represent resources to accomplish significant economic development in the rural area. However the vary variety of programs and the variety of agencies administrating these programs create some of the difficulty in achieving the degree of results which undoubtedly was intended by congress at their inception.

There seems to be a great lack of awareness among potential investors as to the availability of assistance through these programs. The application process for financial assistance seems to be vary complex and the time required for response, once an application is submitted, often discourages making an application. For example, if the local and state offices of the Farmers Home Administration comply with the prescribed administrative procedure in the processing of these applications, assuming that everything is done exactly as it should be on the initial submission, the time to approval will be at least 90 days. Typically an application will take more than 120 days. Obviously it becomes difficult to respond to development opportunities when this amount of time is required to secure a commitment for financing. This is in no way intended to be critical of the efficiency of personnel in these agencies. Our experience has been that personnel of FMHA are most cooperative and vary interested in providing service to the needs of rural areas.

Concerning rural industrial development there seems to be duplication between the Farmers Home Administration and the Small Business Administration in there programs, although the Small Business Administration is much more limited in the amount of individual guarantee which they can provide.

In recent times the availability of guarantees has been greatly reduced; up to one billion availability during the Nixon and Ford administrations, has been reduced to one hundred million currently. Since these amounts represent only guarantees and not direct funding it would seem that this is an opportunity to expand economic development in the rural area without significant impact on the actual dollars expended from the budget. Obviously economic development will have its return in increased tax revenues.

The Rural Development Act of 1972 created the Business and Industry program of the Farmers Home Administration and, used to its intended purpose, should provide the vehicle for significant economic development in the rural area. It is handicapped somewhat by limited appropriations but also by the administrative requirement that one hundred percent of the amount of loans guaranteed be matched by equal appropriations. This is not true of the Small Business Administration which reserves appropriated funds in only a percentage of the guarantee amount based on historical collection experience.

It appears that there is some degree of duplication in the efforts of the various programs and agencies and that efficiencies could be achieved by the coordination between these agencies. Also expediting the delivery of available financing to the rural area could be achieved by granting more authority to state and local offices within the agencies, perhaps giving more underwriting authority to the private lender and making the application process less complex.

In addition to appropriate financing the other essential ingredient to the development of industry and the rural area is venture capital. Available venture capital is more commonly drawn to urban areas because of the familiarity of investors to industrial opportunities in those areas and the greater availability of financing. Consideration should be given to ways in which the Congress might attract venture capital to the rural areas through tax incentives making such investment more competitive.

In conclusion it is recommended that the Congress give consideration to initiating a high level study of the federal agencies which provide financial assistance to rural areas. Such study should focus on streamlining the efficiency of these agencies, eliminating duplications and possible competitiveness between agencies, simplifying the application process and developing a public education program to increase the awareness of the availability of these services.

Increasing the efficiency of the delivery of existing federal loan guarantee programs, expanding the amount available and the attraction of venture capital should greatly enhance economic development in the rural areas and accrue to the benefit of the country as a whole.

Testimony Before

the

House Subcommittee on Conservation, Credit, and Rural Development

Presented by Gary Gibson

Vice-President of Marketing and Economic Development

for

Southwestern Public Service Company

On Behalf of

Southwestern Public Service Company

(SPS)

I am Gary Gibson, Vice-President of Marketing and Economic Development for Southwestern Public Service Company. I am presenting testimony on behalf of Southwestern Public Service Company. We are an investor owned utility company that covers 52,000 square miles in Texas, New Mexico, Oklahoma and Kansas.

The SPS territory is predominately rural. Over 20% of SPS's customers reside in unincorporated areas and communities of less than 1,500. Over 47% of SPS's customers reside in communities of less than 20,000. Fifty-eight percent of our total revenues come from retail sales to rural areas of less than 1,500 and wholesale sales to electric cooperatives.

Southwestern Public Service Company's future is firmly wedded to the economic health of the region we serve. This partnership of interests makes the stimulation of local economic growth an important element for company growth. Economic development has a key role in the SPS corporate strategy, and we have a vital interest in the development of sound, effective legislation that will leverage federal resources with the ongoing efforts of communities and companies like ours.

Rural America, like its urban counterpart, has some thresholds which must be met before economic growth can occur or economic decline can be abated. Adequate infrastructure for water, sewer, and roads and an educated population are essential for long-term economic stability.

The SPS economic development program is keyed on creating new jobs through expanding existing business, attracting new locations, and retaining existing jobs. We believe that without job generation, our efforts to improve the

skills of rural populations will become a program that accelerates the exodus of qualified labor to more prosperous areas that offer better job opportunities. We know that without job creation, a small community will lack the tax base to maintain adequate infrastructure. Frankly, successful rural economic development requires sufficient resources to build infrastructure, education, and new jobs.

I would like to review the economic development program that is maintained by Southwestern Public Service, especially those program aspects that we find most useful to smaller, rural communities. I will finalize my testimony with comments on the legislative opportunities we have identified that would most effectively leverage federal resources with state, regional, and local economic development programs.

The Economic Development Department of Southwestern Public Service Company offers technical support and services to each community in our service territory. For purposes of discussion, the program components can be categorized as marketing assistance and technical assistance.

One of the first realities of "doing economic development" in a small, rural community, is the lack of full time staff and the lack of funds to participate in traditional marketing strategies. We feel that we provide substantive assistance in helping smaller size cities break the capital access barrier to traditional marketing strategies.

Southwestern Public Service Company has conducted two regional targeted market studies to identify sectors of industry which are entering growth stages and which require location attributes that are offered in this region. The study is updated periodically, and forms the planning base for the marketing program that SPS maintains to attract new locations to our service territory. The study and support documentation is given to communities to assist them in developing their own attractions programs.

Some SPS marketing campaigns allow participating communities to "tie in" their individual direct mail campaigns with an SPS sponsored program. Two marketing coalitions, one serving in New Mexico and one serving in Texas offer national marketing campaigns to communities at a subsidized cost. The High Ground of Texas has twenty-seven community members who participate in an annual $40,000 marketing program for a membership fee of $500 each. Five sponsoring entities, South Plains Council of Governments, Panhandle Regional Development Commission, Lubbock/Garza Counties Private Industry Southwestern Public Service Company contribute dollars to meet the $40,000 budget. The 1990 High Ground Program will include a series of ads in nationally distributed publications and a direct mail campaign which will be followed up by personal visits from community representatives. The Business Quarter of New Mexico is in its third program year. Its coalition of nine community members have successfully expanded a national publication program to include strong direct mail and visitation contacts. SPS provides the support of our advertising agency, as well as the sponsorship fee and administrative support to help individual communities develop "suspects" that they could not reach with limited marketing budgets.

The coalitions are an excellent vehicle to develop a sense of regional identity and to foster cooperative efforts among communities in a very competitive business. Incidentally, members of these coalitions range from 167,000 in population to 671 in population.

Four times a year the Economic Development Department sponsors a booths at national trade shows that are attended by representatives of targeted industrial sectors. Communities are invited to send a representative to attend the shows, and their only expenses are the personal costs incurred by the representative. Each participating community receives a list of all contacts made at the booth. This program places an additional marketing strategy in the reach of smaller size cities who may lack the resources to independently sponsor attendance at a trade show.

Generating contacts with prospects requires the preparation of material that provides the technical details required by industries and businesses surveying communities. SPS provides each community with Community Profiles which answer the preliminary questions prospects usually ask. The Community Profile is often the only professionally printed piece that a small community has at its disposal. Additionally, available buildings which can be used as marketing tools are photographed and printed in mass quantities for the distribution to prospective industries by SPS, the State Department of Commence, and local communities. Technical design assistance is also offered for the development of brochures, presentations, and other print and media response pieces.

I suggested earlier that Southwestern Public Service offers marketing and technical assistance for rural economic development, and I now would like to address the technical assistance aspect of our program.

Like many investor-owned utility companies, SPS has a staff which encompasses a range of technical and professional specialities. As individual communities work with their own prospects, preliminary consulting services are offered without charge to enable communities to provide in-depth responses on critical questions such as environmental regulations and engineering issues relevant to a site location. In other words, not only is our economic development staff available to perform as an extension of the community's staff, but all of our company expertise is provided to support local proposals to new and expanding industry.

We have recently instituted working with the existing business base which is another major component that SPS supports. Industrial Power Engineers visit all major customers on our system, and they are trained to identify problems that industries report which can be helped through local community initiative. These "red flags" are shared with the affected community, and technical support is available to help the community identify potential solutions to problems experienced by existing industry.

We staff an agricultural specialist who does business planning feasibility studies and market surveys for agricultural startups and expansions. When a marketable business plan is developed establishing the feasibility of a proposal, assistance is provided to obtain the required capital for the project. A flour mill in Dawn, Texas (population 94) and a new grain

storage facility at Cotton Center (population 205) are examples of the results of this portion of the existing business program.

Southwestern Public Service serves as an ally of the Texas Department of Commerce and forwards state identified prospect to communities that match the client's location criteria. We conduct the research necessary to establish the region's credibility for a given set of location criteria. This research support supplements the time and staff resources of the State and each individual community that submits presentations in response to State generated leads.

Many smaller communities rely entirely on the work of volunteers to initiate economic development program.s SPS co-sponsored with South Plains Association of Governments a twelve hour pilot training program to assist small communities in organizing for economic development. Tailored to meet the needs of volunteers who have limited staff resources, the pilot program was attended by ten rural communities. The population of the participating cities ranged from 175,000 to 691. The pilot program provided the experience required to write a training manual for small cities. This publication is currently being drafted, and a final copy will be offered to all communitites in the SPS service area.

We have an ongoing commitment to provide training to communities who are seeking economic development. Some of the programs are provided to groups of cities, and other training assistance is designed to respond to specific community requests and delivered to a specific community audience.

Because of our commitment to economic development training for communities, our staff must know, first hand, the resources that are available from national, state, regional, and local levels. We invest staff time to understand the networks available to support economic development, and we are able to provide assistance at a "hands on" level.

I have cited these examples of assistance to rural communities in economic development to establish that as a company, we have staff experience in conducting the day to day activities necessary for regional, and local economic development. Because this issue is critical to our region, we have an intense interest in participating in the shaping of legislation that strives to cost-effectively support economic development in rural areas.

We are aware that there are a number of legislative proposals being considered. Congressman Coleman, I understand that you have a proposal of five bills in a Rural Development package. We certainly look forward to reviewing your proposals, and we must comment that the State of Missouri has national recognition for the quality of its rural economic development programs.

In evaluating the ideas we suggest for the development of rural economic development initiatives, we have carefully studied S. 1036 to obtain a sense of a federal perspective for rural economic development. The issues addressed in S. 1036 are laudable. No one can deny that strengthening infrastructure, education, medical services, and capital formation are critical to rural communities. What must be debated is the program guideline for loans, the

administrative systems for those loans, and the selection of some strategies that do not appear to provide cost effective approaches for economic development.

We feel that any rural development legislation must provide equal access to all programs for all the communities that qualify. We are adamant that available funds should be channeled, as much as possible, away from duplicative administration costs. Why should new government structures add "economic development staff" to oversee and administer programs when State government already staffs people to administer loan programs to communities? Why should another layer of government structure be added to do business plans and assist existing business when Small Business Development Centers, State Departments of Commerce, and some Councils of Governments already serve rural communities in this capacity? The need for additional staffing to serve these purposes may exist, but it would be extremely more cost effective to fund adequately those programs in existence rather than to build another resource that may lack the means to meet the full demand for the service. Good legislation will certainly provide a way to channel programs and services to all rural communities through those established entities that have an existing network with rural communities.

For example, in Senate Bill 1036, rural electric cooperatives are identified as the channel for rural incubator funds and investment dollars? Since a considerable portion of rural communities are served by investor owned utilities, rural electric cooperatives do not offer an equitable delivery system. There exists in some states of our service area, state programs that work with incubator concepts, and these delivery systems have a mandate to

service state wide rather than within limited serve areas. The Councils of Government also have regional networks with elected governmental officials in their respective areas. Many COGS already have financial packaging of private and public sector loans, and have a history of delivering federally directed programs. It would appear that starting new players at the federal level is not as effective as strengthening those programs which are already established, and which have a history of producing results.

I think it is fitting to address the concept that nothing is being done for rural American cities. I will agree that more assistance could be available, but there are several programs that do a good job for rural communities, and which should be considered if additional federal dollars are allocated for the purposes of economic development in rural communities.

The HUD funded Community Development Block Grant Program provides infrastructure assistance and a revolving loan fund for economic development projects for communities of 50,000 or less in population. There are always more communities that qualify with projects than there is money available for the program. Could we structure this effort with additional dollars, without creating a new program in another federal agency? The Economic Development portion of CDBG offers revolving loans which require a dollar to dollar match, and it has a staff in place to administer the program. Again, you may ask if the recent publicity on HUD does not discourage one from funding these efforts, but I must question the assumption that a totally new agency will not cost us as much or less in terms of learning and staffing, and will, over time, run into comparable issues on management and control.

The State of Texas administers a rural loan fund, which will, as of September 1, become a guarantee program for fixed asset financing for rural communities. The current allocation is $2 million. This useful program has no lending cap and will lend small amounts that private lenders may find administratively unfeasible. Why not leverage any new dollars with this program rather than placing another limited loan program with another new economic development player.

Let's streamline and improve those programs that we have for rural American, and strive to provide a level of funding that more adequately matches the level of need identified.

A cursory count of resources that exist in Texas at the State and regional level to provide technical and financial assistance, identified 46 separate entities. Legislation that would review and simplify the delivery structures of federal assistance could play a major role in simplifying access to programs that are available.

What kinds of assistance could rural cities use? It is a given that having more funds available for loans, and having loan programs that meet the relatively low amounts that is often required by rural cities would be useful. However, in addition to more loan dollars, developing staff expertise to serve rural communities in accessing loan requests, packaging loan programs, and generally linking local opportunity with sources of capital, may, in our opinion, be as vital as adding additional loan programs. Financial packaging, when and where it is available as a public service, helps

rural bankers structure deals for their towns and it provides the technical expertise required to screen the bad deals from the good.

The demanding part of legislating these services is identifying delivery systems that adjust to regional and State differences, that can responsibly administer program dollars, and which do not generate another layer of inadequately funded intentions. Best that we decide to do a few things well, rather than attempt broad comprehensive programs that lack adequate funding to meet the promises that they offer rural cities.

The challenges faced by rural communities are significant. Changing economic structures threaten their traditional economic sources. The smaller the population base of a community, the more difficult it is to attract and maintain jobs. Small towns face tougher challenges than larger metropolitan cities. The answer to assisting these valuable members of our society lies in providing technical services, dollars for capital formation, and information resources that will allow communities to effectively expend their precious resources for viable, job creating activities.

Thank you for your attention. It is a pleasure to have an opportunity to impact rural economic development legislation, and we look forward to working with the mandates you establish to strengthen our communities and our region.

(Attachments follow:)

MARKETING ASSISTANCE

Southwestern Public Service Company provides marketing support for economic development. Here are some of the types of services that smaller rural cities often utilize.

1. Provides regional target studies that define types of companies with a good potential to expand in the region.

2. Maintains a national marketing program that promotes the region to prospective new businesses.

3. Provides seed money and administrative support for regional marketing coalitions that subsidize costs of community advertising.

   High Ground of Texas
   New Mexico Business Quarter

4. Sponsors booths at National Trade Shows allowing communities to attend trade shows without paying costs of exhibition, displays, and handouts.

5. Provides support materials to assist communities in responding to business inquiries.

(Attachments are held in the committee files.)

THE HIGH GROUND OF TEXAS

The High Ground of Texas is a coalition of communities in the Panhandle and South Plains of Texas. The membership ranges in population from 174,000 to 691, and each community shares the common objective to create a stronger economy for the region.

Five sponsoring entities contribute seed money of $40,000, and each member community pays $500.00 to join. The 1989 program placed seven full page ads in Area Development Magazine. Each community receives copies of the ad responses for their own marketing efforts, and the association sends a gift phone and brochure alerting ad respondents that they will be receiving information from communities.

The sponsors for the program are Lubbock/Garza Private Industry Council, Inc., Panhandle Job Training Partnership Council, South Plains Association of Governments, South Plains Community Action Incorporated, and Southwestern Public Service Company.

1989 Members and Population

1.	New Deal	691	14.	Friona	3,809
2.	Groom	725	15.	Post	3,961
3.	Earth	1,512	16.	Denver City	4,704
4.	Spur	1,579	17.	Dalhart	6,854
5.	Sundown	1,763	18.	Littlefield	7,409
6.	Stratford	1,917	19.	Brownfield	10,387
7.	Olton	2,107	20.	Dumas	12,194
8.	Crosbyton	2,289	21.	Levelland	13,809
9.	Hale Center	2,297	22.	Hereford	15,853
10.	Fritch	2,912	23.	Borger	15,837
11.	Shamrock	3,087	24.	Pampa	21,397
12.	Memphis	3,352	25.	Plainview	22,187
13.	Spearman	3,509	26.	Amarillo	149,230

27. Lubbock 173,979

(Attachments are held in the committee files.)

THE BUSINESS QUARTER OF NEW MEXICO

The Business Quarter of New Mexico is a marketing coalition comprised of nine communities and Southwestern Public Service Company. The Business Quarter's 1989 campaign included a direct mail campaign with community representatives visiting companies that reported an interest in New Mexico. The program also placed full page ads in Area Development Magazine.

The State of New Mexico participates in the funding of the program, and Southwestern Public Service contributes $14,000 in addition to administrative and staff support for the association. Each community member pays an annual membership fee which is determined by the cost of the annual program.

Business Quarter Members

1.	Artesia	13,500	5.	Portales	10,750
2.	Carlsbad	31,000	6.	Roswell	47,325
3.	Clovis	31,372	7.	Ruidoso	4,260
4.	Hobbs	40,000	8.	Tucumcari	7,760
	9.	Lovington		9,727	

(Attachments are held in the committee files.)

COMMUNITY SURVEYS

Each community in the SPS service territory is provided, free of charge, a supply of community surveys that are used to respond to general requests for information. The survey is updated annually.

BUILDING SHEETS

Southwestern Public Service Company takes aerials of available buildings suitable for industrial use and prints building sheets that profile the facilities. Each community receives a supply of building sheets to use in their presentations, and SPS also uses the building information in presentations to prospects.

TARGETED MARKET STUDY

Southwestern Public Service Company hired a consultant to identify categories of industry that were experiencing growth and were a match for the SPS service territory. The Textile Industry study is an example of one of the industrial sectors that was identified by the study.

The consulting report and the specialized material developed is shared with all communities located in the SPS territory. An update and refinement of the initial study is currently being conducted.

In addition to sharing the information, SPS designs marketing programs that allow individual communities to capitalize on the regional marketing efforts. For example, thirteen communities purchased mailing lists at a subsidized cost and did their own direct mail campaign following the SPS direct mail campaign to textiles, plastics and hardware.

(Attachments are held in the committee files.)

DIRECT TECHNICAL ASSISTANCE

Southwestern Public Service Company provides technical support that assists communities in local economic development. Here are some of the types of service that rural cities often utilize.

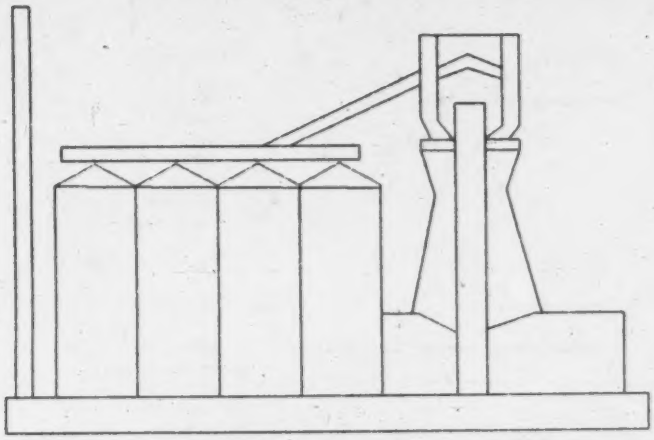
1. Conducts research to support local community proposals to new business locations.
2. Assists in writing and packaging proposals to new location prospects.
3. Assists communities in solving problems of existing businesses to enhance job retention.
4. Conducts business planning feasibility studies and market surveys for agricultural startups and expansions.
5. Serves as regional coordinator of proposals for prospective new locations channeled by the State Offices of Economic Development.

(Attachments are held in the committee files.)

RESEARCH SUPPORT

The following two documents represent the type of research support that SPS provides to its communities. Identification of marketable attributes and the development of material to support the region are tasks that SPS staff perform as an ongoing service.

AGRICULTURAL PRODUCTION
COMBINED WITH
FOOD & FIBER PROCESSING



FIND IT IN THE

THE PLAINS OF THE SOUTHWEST

SOUTHWESTERN PUBLIC SERVICE COMPANY
WHOLESALE & AGRICULTURAL MARKETING
(806) 378-2178

SERVING: TEXAS, NEW MEXICO, OKLAHOMA & TEXAS

THE PLAINS OF THE SOUTHWEST
AGRICULTURAL PRODUCTION - CROPS

SIC Code	Category Description	Product Description
0111	Wheat	Hard Red Winter Wheat
0115	Corn	Feed Corn Food Corn
0116	Soybeans	Soybeans
0119	Other Cash Grains	Barley Beans Milo Oat Pea Popcorn Sunflower
013	Cotton	Upland Cotton
0133	Sugar Beets	Sugar Beets
0139	Field Crops, except Cash Grains	Alfalfa Grass Seed Hay Peanut Potato
0161	Vegetable & Melons	Asparagus Beans Beets Cabbage Cauliflower Corn, Sweet Cucumber Green Pea Le Huce Melon Onion Pepper Snap Bean Squash Truck Farms Vegetable Farms Watermelon Farms
0172	Grapes	Grapes Vineyards
0173	Tree Nuts	Pecan
0175	Deciduous Tree Fruits	Apple Plum Peach

THE PLAINS OF THE SOUTHWEST
AGRICULTURAL PRODUCTION - CROPS

SIC Code	Category Description	Product Description
0181	Ornamental Floriculture & Nursery Products	Bedding Plants Bulbs Flowers & Shrubbery Nursery Stock Ornamental Plants, Potted Seeds Sod Vegetable Bedding Plants
0182	Food Crops Grown Under Cover	Bean Sprouts Greenhouse Crops Hydroponic Crops Tomatoes Vegetables

THE PLAINS OF THE SOUTHWEST
AGRICULTURAL PRODUCTION - LIVESTOCK

SIC Code	Category Description	Product Description
0211	Beef Cattle Feedlots	Cattle Feedlot Stockyards
0212	Beef Cattle, except Feedlots	Cattle Ranches
0213	Hogs	Feedlot, Hog Hog Farm
0214	Sheep & Goats	Feedlot, Lamb Mohair Sheep Wool Production
0241	Dairy Farms	Dairy Farms Milk
0252	Chicken Eggs	
0272	Horses & Other Equines	Donkey Horse Mule Pony
0273	Animal Aquaculture	Catfish Minnow Trout
0279	Animal Specialties	Apiaries Aviaries Bee Farms Earthworm Honey Production Worm Farms Snails

THE PLAINS OF THE SOUTHWEST
AGRICULTURAL SERVICES

SIC Code	Category Description	Product Description
0724	Cotton Ginning	Cotton Gin
0723	Crop Preparation Service for Market	Bean Cleaning Corn Shelling Cotton Seed Delinting Drying of Corn, Hay, & Vegetables Grain Cleaning Packaging Vegetables Peanut Shelling Seed Cleaning Sorting, Grading, & Packing of Vegetables Vegetable Precooling Grain Elevators

THE PLAINS OF THE SOUTHWEST
EXISTING FOOD & FIBER PROCESSING

SIC Code	Category Description	Product Description
2011	Meat Packing Beef & Beef By-Products	Cured & Flashed Beef Hides Beef Packing Beef Processing, including Ground Beef Patties Pork & Pork By-Products
2013	Sausages & Other Prepared Meat Products Partially Defatted Chopped Beef	Prepared Meats Corn Dogs Bacon & Sausage Frozen Beef & Beef By-Products Beef & Pork Products Frozen Smoked Beef Brisket, Chili, Cured Ham, Smoked Sausage & Bacon
2016	Poultry & Small Game Slaughtering Dressing & Packing Plants	Game Bird Slaughtering
2017	Processed Poultry Products from Purchased Carcasses & Processed Eggs	Processed Chicken Smoked Turkey - Smoked Chicken Boneless & Baked Turkey Rolls
2022	Natural & Processed Cheese	Pimento & Jalapeno Cheese Spreads
2023	Condensed & Evaporated Milk, Dry Milk Products & Non-Dairy-Base Cream Substitutes	Ice Cream Mixes
2024	Ice Cream & Frozen Desserts	Ice Cream
2026	Fluid Milk & Related Products, including Cottage Cheese	Milk, Buttermilk, Chocolate Milk, Cottage Cheese & Cream
2032	Canned Specialties	Canned Health Foods
2033	Canned Fruits, Vegetables, Preserves, Jams & Jellies	Mexican Hot Sauce Canned Dried Fruits & Vegetables Frozen Cranberry Jam
2035	Pickled Fruits & Vegetables, Vegetable Sauces & Seasonings, & Salad Dressing	Hot Sauce
2038	Frozen Specialties	Frozen Corn Dogs Frozen Corn Bread Dressing & Turkey Giblet Gravy

THE PLAINS OF THE SOUTHWEST
EXISTING FOOD & FIBER PROCESSING

SIC Code	Category Description	Product Description
2039	Flour & Other Grain Mill Products	Corn Flour Stone-Ground Wheat Flour Corn Meal Bread Mixes Milo Flour for Individual Processing Additives Soy Fortified Sorghum Grits Wheat Flour Flour for Tortillas Bran
2043	Cereal Breakfast Foods & Related Preparations	Whole Grain Products Cereal
2045	Blended & Prepared Flour made from Purchased Flour	Batter Mixes Breading Mixes Masa Mix
* 2046	Wet Corn Milling, including Crude & Refined Corn Oil	Corn Starch High-Fructose Corn Syrup Corn By-Products Steep Water Gluten Feed High-Moisture Bran Industrial Starch
2047	Dog, Cat & Other Pet Food	Pet Food Inedible Ground Beef for Greyhounds
2048	Prepared Feeds & Feed Ingredients for Animals & Fowls	Formula Feeds Livestock Feeds Mineral Supplements Cattle Feed Pellets/Cotton Burrs Liquid Supplements Liquid Cattle Feed Poultry Feeds Animal Feed Pellet Binders Meat & Bone Meal-Feed Alfalfa Hay Cubes
2051	Bread & Other Bakery Products	Bread Buns Fried Pies Large Fruit Pies Pastries Bakery Products Cakes

* Only in state

THE PLAINS OF THE SOUTHWEST
EXISTING FOOD & FIBER PROCESSING

SIC Code	Category Description	Product Description
2052	Cookies, Crackers & Pretzels	Cookies
2063	Beet Sugar	Sugar Molasses Dried Beet Pulp
2065	Candy & Other Confectionery Products	Candied Apples Candy Shelled, Roasted Peanuts
2074	Cottonseed Oil Mills	Cottonseed Oil Hulls Linters Cottonseed Meal Cottonseed Oil Mill Products
2076	Vegetable Oil Mills except Corn-Cottonseed	Vegetable Oil Seed Products Sunflower Oil Sunflower Meal Peanut Oil Mill Products
2077	Animal Fats & Oils	Meat Meal Bone Meal Inedible Tallow Blended Feed Fats Inedible Grease & Cracklings Emulsified Bone Rendered Hides
2079	Shortening, Table Oils, Margarine & Other Edible Fats	Vegetable Cooking Oils Refined Vegetable Oils
2084	Wines, Brandy & Brandy Spirits	Wines
2099	Food Preparations	Tortillas Tostados Chicken Salad Ham Salad Potato Salad Taco Shells Corn Tortillas Corn Chips Potato Chips
2211	Cotton Broad-Woven Fabric Mills	Cotton Jean Fabrics
2252	Hosiery, except Woman's Full Length & Knee Length	Knit Sport Socks

THE PLAINS OF THE SOUTHWEST
EXISTING FOOD & FIBER PROCESSING

SIC Code	Category Description	Product Description
2281	Yarn Spinning Mills: Cotton, Man-Made Fibers & Silk	Cotton Yarn
2291	Felt Goods	Upholstery Felts
2293	Paddings & Upholstery Filling	Cotton Batting
3111	Leather Tanning & Finishing	Chrome-Tanned Wet Blue Leather Processing of Hides

TRAINING

Southwestern Public Service Company provides technical training to communities in topical seminars and workshops, in community specific sessions delivered to individual community groups, and in structured training programs. The following page identifies the scope of training topics offered.

TRAINING COMPONENTS

Each community has its own unique requirements for training support, and each community group is at its own level of understanding concerning the economic development process. SPS offers tailored training programs to meet the needs identified by an economic development committee. However, since many volunteers are not certain about what types of information they most want to master, the following description of program components is provided with an estimated time for presentation. Selecting components from the list may expedite local community efforts to secure training assistance that is targeted to specific learning needs.

Training schedules can cover day or night meetings, but sufficient time must be allowed to schedule the community programs.

After identifying the components that most interest the community group, please contact Cheryl Pink, 378-2173, at the SPS Amarillo Office to discuss the hours and the dates of proposed training sessions. If individual training sessions cannot be scheduled, SPS may cover training requests with group sessions that incorporate multiple community groups.

Component Description	Estimated Presentation Time	Please check if component is requested
1. Review of the Economic Development Process. Describes the economic benefit of various types of new jobs, and estimates the match of the strategy to the resources offered by the community.	1 hour	_____
2. Statistical Review of Community. A quick analysis of signs of decline, growth, or other economic impact trends.	30 minutes	_____
3. Review of Organizational Structures. Outline of organizational options that form economic development programs, and techniques for creating consensus to support community programs and strategies.	1.5 hours	_____
4. Summary of Tasks for Local Economic Development Programs. Describes 10 tasks that need to be completed to establish a program that supports a variety of economic development strategies.	1 hour	_____

Component Description	Estimated Presentation Time	Please check if component is requested
5. Review of Resources for Assistance. Identifies major sources of information and money for local programs and projects.	2 hours	_____
6. Marketing Techniques for New Jobs. Describes the various marketing strategies used in economic development and matches the effectiveness and cost of each strategy to the community resources.	1.5 hours	_____
7. Techniques to Assist Existing Businesses. Review of business retention and expansion strategies and description of existing business survey process.	1.5 hours	_____
8. Establishing Site and Building Inventories. Description of locating, describing, and developing presentations on buildings and sites.	1 hour	_____
9. Financial Packaging and Incentives. An overview of considerations in developing financial assistance and incentive proposals. Examples of proposals offered by communities. Discussion on identifying the cost/benefit ratio of the incentives offered.	1 hour	_____
10. Qualifying Prospects. Discussion on how a new location prospect can be developed through written and personal contacts. Includes tapes on the phone contact, sample interview sheets, and a discussion of techniques to define selling opportunities.	2 hours	_____
11. Written Presentations. An introduction to the techniques of responding to client requests through written presentations and the development of tailored information.	1.5 hours	_____
12. The Prospect Visit. How to organize and prepare for a community visit for a prospect. Planning meetings and preparing team members is included in the discussion.	2 hours	_____
13. Preparation of Fact Books and Community Surveys. Overview of types of information required by industrial and new location prospects. Samples of formatting material to answer most commonly requested items of information.	1.5 hours	_____

14. Other - Describe/list items of information community is seeking to assist in economic development process.

_____

_____

_____

_____

_____

_____

_____

_____

Contact Person:

Name _____ Phone Number _____

Position _____

Address _____

_____

_____

Return this form to Cheryl Pink, Consultant, SPS, P.O. Box 1261, Amarillo, TX 79170. 806-378-2173.

RURAL COMMUNITY TRAINING PROGRAM

Tailoring traditional economic development practices to fit the resources of small, rural communities demands an adjustment to strategy. Rural Economic Development Initiatives (REDI) is a twelve hour pilot training program that helps rural communities identify practical economic development strategies.

Attended by ten communities, REDI was co-sponsored by the South Plains Association of Governments and Southwestern Public Service Company. The following pages include samples of the training material and a copy of the certificate of completion.

The pilot program is being finalized and the training material will be developed into a book that will be available to all communities in the SPS territory.

REDI PROGRAM ATTENDEES

1.	Brownfield	10,846	6.	Olton	2,107
2.	Earth	1,392	7.	Post	4,162
3.	Floydada	3,769	8.	Ralls	2,263
4.	Hale Center	2,136	9.	Slaton	6,950
5.	Muleshoe	5,048	10.	Sundown	1,763

marketing for small cities

The issue of marketing begins with an understanding of why the customer buys, or, for the purposes of economic development, why industry chooses to locate where it does.

Since industry and services are classified by the government standard industrial classification codes, these S.I.C. numbers are often used when attempting to explain the behavior of various industrial groups.

S.I.C. codes present categories of industry based on type of product. For example, all food products are in S.I.C. division 20, meat products are in S.I.C. major group 201 and meat packing plants are in S.I.C. industrial group 2011. A listing of S.I.C. codes is presented at the end of this chapter.

There are some general, common factors which most companies within an S.I.C. category share. For instance, some types of industries which produce final consumer products are sensitive to the location of their market and seek locations and transportation that efficiently access those markets. Certain industries use large amounts of water or electricity, and they will be sensitive to the cost and availability of these resources.

Because S.I.C. codes identify general classifications of behavior they are often used to identify groups of industries which may be an appropriate match for the attributes of an area. However, within any S.I.C. category, each company behaves in an individualistic manner. The decision making process for a company usually shows subjective and unique behaviors. In other words, a canning company by another name will not always perform like the last canning company.

The factors that an industry seeks and evaluates when relocating are also easily identified. Generally, quality of life, transportation, labor, land/building, operating costs, tax considerations, finance, utilities, and government will be evaluated. The value placed on these factors and how they will be ranked varies by S.I.C. category, by type of facility (production, research, headquarters, etc.), and by company philosophy. Locations are always, at some point or another, impacted by subjective decisions on the part of management. It can be acknowledged that the reasons for new locations are not easily categorized for the purpose of marketing.

Small cities with population of less than 5,000 face the most competitive position for new job attractions. Often geographically isolated, small cities offer qualities that can be duplicated in hundreds of towns across the nation. If an industry can succeed in a town of 4,000 which is an hour-and-a-half from an interstate highway, the industry has an infinite number of places it can choose. Because the number of choices are so numerous, small cities have to work very hard to establish advantageous, competitive positions.

The basic requirements for a successful business environment include good government services, adequate infrastructure, and adequate skilled labor. All cities can concentrate on achieving the best possible business environment. Excellent marketing and all incentives possible cannot offset inadequate water supplies or educational deficiencies. Many professionals believe that the community development issues have to be the first target for economic development programs.

How many opportunities are there to attract new industrial jobs? Various statistics suggest that there are approximately 500 industrial locations a year in the United States, and that there are over 6,000 organizations who attempt to win those locations. Research also suggests that the most common form of new plant location is a new site selected for market access or for cost considerations. The numbers of companies who close a facility

and reopen another facility to replace the former one is less than the number of companies that add an additional plant facility. It is also interesting to note that in the case of relocations, industries rarely relocate outside of the census region of the original facility.

Marketing to attract new jobs through industrial locations is a long term strategy which carries high costs in terms of marketing expenses and manpower. To be efficient in this type of marketing, a community needs a marketing budget which can absorb the costs of looking for the proverbial needle in a haystack.

The understanding that most businesses prefer to say in the area in which they originally locate identifies another target market, the existing business base of a community. Existing businesses offer expansion opportunities, and may, in hard economic times, need assistance if the existing jobs are to be retained.

Existing businesses in a community already have a commitment to an area, and they understand the issues of surviving in their traditional home community. Most economic developers agree that working with the existing business base provides the best return (in jobs and new capital investment) for the dollars and manhours expended.

Small, rural communities may not have a broad base of primary jobs. A business which adds value to items and exports products outside of a community drives local economies. It is on the existence of jobs related to value-added producers that retail, services and government jobs rely. A new retail store must have payroll and population in its trade area for it to succeed. Population and payroll are reliant on transfer funds (social security, pensions, government payments), transient dollars (tourism), and basic dollars (related to value-added businesses). For this reason, many local economic development programs target the recruitment of value-added businesses rather than commercial or retail businesses.

A small community may not have enough "existing business" base to warrant this category as its only marketing target. Under such conditions, working with new start-ups or working to attract locations to the area have to be considered as valid marketing targets.

Traditional economic development programs attempt to find prospects by advertising in publications and journals, using direct mail campaigns, attending trade shows, and networking.

Paid advertising requires repetition if it is to be significant. At any given time, only a few companies are working on a relocation or new location, and the effectiveness of paid advertising is directly related to the frequency of advertising exposure.

There are several nationally distributed publications which are designed to present data to corporate decision makers on the location advantages of various communities and regions. Generally, these specialized publications will offer to screen ad responses and forward information on readers who would like additional information on a region or a community. Trade journals which are read by a professional category offer advertising opportunity, but usually at an appreciably higher cost than economic development publications.

Direct mail, often combined with telemarketing, is becoming a marketing tool of choice. The general availability of lists of companies by various categories offers the marketer choices of geographic region, company size, company type, employment size, annual sales, and a host of other "filters". Direct mail, if it is to be effective, must be intensive enough to develop recognition of the advertising entity, and, once recognition is achieved, periodic contacts must be maintained to keep "awareness". This "awareness" is purchased with rather high costs of mail, material preparation, and manhours.

Trade shows which are targeted for industrial sectors offer opportunity to meet company representatives and present information on an area or a community. Appropriately designed trade show campaigns include mailouts to prospective attendees, alerting them to the critical factors which should make them want to talk to the exhibiting community. At large trade shows, business card drawings and a well designed campaign can easily produce 600 suspects and 300 qualified contacts over a five day period.

Whatever the technique selected, lists of "suspects" are only useful if the manpower is available to make personal contacts and develop "suspects" into "prospects". The value of any of the lists generated is that they can be maintained for long term contacts over time, and "awareness" of a community's opportunity can be created and maintained for those rare instances in which a company is in a relocation process.

Networking, interestingly enough, is the least expensive and the most effective technique for smaller cities to utilize in marketing. Networking is any technique in which information is shared about those possible "suspects" who are active.

Formal networking deals with traditional channels of information sharing. State economic development offices are often contacted by consultants or company representatives who are seeking location assistance. These inquiries are directed to utility companies and larger cities with professionally staffed economic development programs. Utility companies and other field contacts link with smaller communities and those areas which do not have full time economic development professionals.

Informal networking involves word of mouth transmittals. Information that a company is seeking a new plant may be shared by a salesman in the area, and the retailer who hears the information may promptly convey the "lead" to the local community contact. The majority of activity for smaller sized cities is generated through these word-of-mouth contacts. Large cities with national advertising budgets have also reported that prospect referral programs of soliciting information discovered in the field have produced some of their best prospects.

Networking strategies include visitation programs with existing businesses which may generate information on suppliers or on corporate activity, contacts with ex-residents of the community (the high school reunion list is useful), and activities which generally get the message out to all community residents that there are services available to help generate new jobs and new capital investments. These techniques are useful in working to retain and expand existing business as well as attracting new members to the business community.

Some communities enlist as ambassadors of marketing business people who travel widely outside the area. These travelers may be asked to visit "suspects" or to distribute information about the community to businesses that are contacted by the ambassador.

Networking requires that a community have a local economic development program with clearly identified services, and that this program of services be communicated to those groups who are in a position to make critical contacts on behalf of the community. Utility companies need to know about the cities they serve if they are to match prospects to available opportunities.

Networking relies on an informed population within the city. The first people who must be sold on helping with the marketing effort are those people who are local residents.

Traditional marketing techniques, when applied to economic development are usually outside the resources of small cities who do not have marketing budgets. Networking with formal and informal channels of communication has proven to be the best marketing technique for cities with limited marketing budgets.

Cooperative marketing efforts which share the costs of marketing among several communities offer traditional marketing strategies at more affordable costs. Since communities initially compete as economic regions which seek to fit a prospect's general requirements, it is far easier for a community of three thousand people to attract attention if it is part of a 200,000 regional population.

The turf issues and competitive ferver that separates two communities situated twenty miles apart are frivolous issue in the site evaluation process. The commuting pattern of workers further blurs the distinction of who "wins" with a location. Cooperative support of neighboring communities is critical in each individual success of job attraction.

NEWS RELEASE

SUBJECT: AREA COMMUNITIES EARN DIPLOMAS FOR ECONOMIC DEVELOPMENT TRAINING.
April 20, 1989, noon to 1:30, Lakeridge Country Club

For more information contact: Tim Pierce, South Plains Association of Governments, Lubbock 762-8721

Ten South Plains communities will receive diplomas for completing a twelve hour training program on organizing for economic development. "Rural Economic Development Initiatives" is co-sponsored by South Plains Association of Government and Southwestern Public Service Company.

Representatives from the communities of Brownfield, Earth, Floydada, Hale Center, Muleshoe, Olton, Post, Ralls, Slaton and Sundown have met course requirements that include developing site and building surveys, community profiles, and acquiring marketing skills to enhance the ability to develop new jobs in the community.

The diplomas will be presented at a luncheon on Thursday, April 20, at Lakeridge Country Club, noon to 1:30. Michael Starke, an economic development consultant who is currently conducting a regional economic analysis for Southwestern Public Service Company will be the keynote speaker. Diplomas will be presented by George Carpenter, President, Board of Directors of South Plains Association of Governments, and Tiffin Wortham, District Manager, Southwestern Public Service Company.

STATEMENT BY

JIM MORRISS, EXECUTIVE VICE-PRESIDENT

THE ASSOCIATION OF TEXAS ELECTRIC COOPERATIVES

before the field hearing of the

SUBCOMMITTE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

of the

HOUSE AGRICULTURE COMMITTEE

August 9, 1989

Amarillo, Texas

Mr. Chairman and distinguished members of the Subcommittee.

I appear today on behalf of the 87 consumer-owned electric cooperative organizations in Texas which serve about 15 percent of the population of the state -- some two million persons -- with electric energy for their homes, farms, ranches and businesses.

Electric cooperatives in Texas own and operate 250,000 miles of transmission and distribution lines in all but eight of the 254 counties in the state. Some 1.1 million meters are served by those lines.

We appreciate the interest in the problems and challenges facing rural America by the members of this subcommittee. You are well aware of those problems and we commend you for trying to devise practical solutions.

We believe that very important initiatives and programs are contained in the Rural Partnerships Act of 1989 which was passed by the United States Senate last week. The prospect of the introduction of similar legislation in the House is welcomed by those of us who work in the rural economy in an integral way which is duplicated by few other entities.

A major consideration in any government initiative is how to deliver effectively the service or assistance to be offered. That delivery system, historically and prospectively, was examined in some detail in 1986 and 1987 by a special study committee of the National Rural Electric Cooperative Association. One of the four task forces of that committee was charged with studying the outlook for rural America and the future role of the Rural Electrification Administration. It was my privilege to chair that task force.

Many of the components of the Rural Partnerships Act as passed by the Senate embody some of the ideas and considerations of that task force. Let me very generally and very briefly share some of our considerations.

Up until 1961, REA's help to its borrowers on rural development matters was very limited, other than what was needed to provide electric and telephone service. In 1961, the Department of Agriculture created a Rural Area Development Program (RAD). REA was assigned primary responsibility for the industrial development portion of that USDA program.

REA established a rural areas development staff of 23 persons who worked directly with the electric cooperatives. The RAD staff was assigned the responsibility of providing technical assistance and help in finding needed financing for the development of businesses and industries and associated public facilities. For the most part, the assistance was carried out by the rural electrics.

In 1969, the rural areas development staff was abolished and one person was transferred to each of the five area offices to assist with community development. One person remained at the staff level at REA to serve as a community development coordinator. That one position was eliminated in 1980. Since 1980, the rural development staff activity has been carried out by one person on a part-time basis.

The idea of REA's technical assistance to rural electric and telephone borrowers with effective tools and resources to foment rural development projects has a lot of history behind it. And now the cooperatives are 20 years more mature and established. Without question, they form a rural network and infrastructure of incalculable value to the areas they serve across the nation.

Without repeating details of specific initiatives in housing, business development, water and wastewater facilities, education and health care, I simply suggest here that very serious consideration be given to building upon the base of electric and telephone cooperatives which can be used to an increasing extent for rural economic development. This, we believe, can most effectively be accomplished in partnership with REA, the agency with which the cooperatives have more 50 years experience. The "REA pattern" is a successful one with few equals, if any. Given the mandate, it can accomplish much for the benefit of rural areas.

Again, we commend the Chairman for his diligence in seeking solutions to the wrenching problems of rural America.

I will be pleased to respond to any questions from the subcommittee.

TESTIMONY OF

PHILLIP KLUTTS

PRESIDENT, OKLAHOMA RURAL WATER ASSOCIATION

Mr. Chairman and distinguished members of the House Agriculture Subcommittee on Conservation, Credit and Rural Development. I thank you for the opportunity to appear before you today to express, on behalf of those I represent, my deep concern about the economic crisis in rural America.

I am Phillip Klutts from Okemah, Okfuskee County, Oklahoma. I live on a farm and ranch and over 20 years ago I helped organize the rural water district which serves the area where I live. I have served as Chairman since its inception. Today, as President, I represent the Oklahoma Rural Water Association, comprised of 320 member rural water systems who serve over one-half million rural Oklahomans. I hope that my remarks today might help you in some way to formulate a rural development policy which will stimulate and revitalize the economic base of the rural areas of this country. As one who lives in one of the most economically depressed and disadvantaged counties in the state of Oklahoma, the message I hope to convey to you is that economic revitilization of our rural areas is desperately needed.

As you are well aware, Mr. Chairman, rural Oklahoma is engaged in a bitter struggle for survival. During the past decade we have witnessed an almost total collapse of our rural economy. Thousands have been forced to leave the family farm. Oil and gas exploration and production have been drastically curtailed. The loss of jobs in agriculture and the petroleum industry has had a devastating impact on our rural economic base. In every community of Oklahoma boarded up buildings and out-of-business signs are common place. We have witnessed one bank failure after another, and bankruptcies have reached epidemic proportions. Rural Communities offer almost no job opportunities for our youth and the brightest and most talented of our young people have no choice except to leave the rural areas to find a job to attain the quality of life that should be available to all.

The recovery and revitalization of rural Oklahoma will require an all out effort to create the most favorable climate to attract new jobs and growth, and help existing businesses secure new markets and expand operations. To accomplish this objective we must have a rural economic development program that provides a source of expertise to assist local entities with the planning and implementation of economic development initiatives. Businesses and local governments must have adequate funding to finance business ventures, construct community facilities, upgrade and improve water treatment and distribution facilities, improve streets and highways, build housing, improve water, waste water, solid waste and fire protection services, renew deteriorated business areas and provide recreational opportunities.

The problem is not a lack of programs. The programs needed to administer an effective rural economic development program are already in place. For many years The Farmers Home Administration (FmHA) has had a comprehensive package of economic development programs to assist small businesses and rural communities.

The FmHA Rural Development Grant Program provides grants for the purpose of enhancing rural development. However, the congress has not appropriated money for this program in recent years. Industrial Development Grants are also available, which public bodies can use to construct, or relend for construction of industrial facilities and provide technical assistance. The agency guarantees loans for business and industrial development. Their business and industry intermediary relending program enables the agency to lend money to financial institutions for relending to promote business and industrial development. Loans are available to small towns for construction of community facilities, such as hospitals, Community buildings and fire stations and making improvements to streets and roadways. The agency's housing program has helped thousands of people in rural areas realize the dream of home ownership. Finally, FmHA, through its community facility program provides loans and grants for the development, construction, expansion and improvement of community water, sewer, gas and solid waste disposal facilities. In Oklahoma alone, FmHA has made approximately 2000 loans and grants during the past 25 years for development and improvement of rural water and sewer systems.

FmHA has in place a network of offices already established which could effectively administer the rural development program. In Oklahoma we have a state office, eight district offices and an FmHA office in each of our 77 counties.

The mechanism necessary to implement and support rural economic development programs presently exists. We do not need new agencies. The Farmers Home Administration is structured to fulfill our rural economic development needs. However, it must have changes in priorities, attitudes and better staffing at all levels to effectively address the mission of economic revitilization of Rural America. In other words it must have the right people in the right places with the right attitude to succeed in this undertaking.

It is essential that the new Secretary of Agriculture elevate rural economic development to a higher priority within his administration. The Secretary must give rural development programs the full support of his office and expect that commitment to be carried out at every level. We must have an FmHA administrator who believes in and is committed to the objective of rural revitilization, not one whose mission is to dismantle longstanding and worthwhile programs.

The FmHA State Director sets priorities for his district and county personnel. It is imperative that he be keenly aware and interested in the problems and needs of rural areas of his state and that he utilize to the maximum extent possible all the programs and resources at his disposal to enhance and support rural revitilization.

FmHA State, district and county offices need to be adequately staffed with personnel who understand the problems and needs of rural areas, who support the purpose and intent of FmHA economic development programs and who possess the qualifications and proper attitudes to effectively and efficiently administer such programs. Above all else, let me stress to you that FmHA personnel at all

levels from the lowest thru the highest must have a genuine interest in every program they administer in their overall mission of revitalizing the economic base of Rural America. They must make themselves and their agency accessible and available and visible in fulfilling their objective to help rural people and rural communities to help themselves.

Bureaucratic red tape is currently the greatest impediment to efficient administration of FmHA programs. It has taken some borrowers as long as five years to process a loan application, obtain final loan closing and begin construction of their project. These lengthy delays result from a maze of increasingly stringent regulations and special conditions which must be satisfied by the borrower. FmHA personnel must exercise good judgment and sound reasoning in the administration of their programs.

We question the necessity for tightening up FmHA's loan requirements. The default rate on loans made in connection with the FmHA water and waste water programs during the past quarter century is unparalleled at less than one percent. FmHA's rules and regulations should be carefully reviewed and revised to remove unnecessary requirements that restrict efficient administration and discourage participation in available programs. If we are to have a viable rural economic development program, the procedure for processing loans must be streamlined in order that applicants may receive funds for projects in a timely manner.

The Senate rural development bill contains provisions which authorize the Secretary of Agriculture to transfer FmHA rural development programs to the Rural Electrification Administration (REA) if it can be demonstrated that REA has greater expertise than FmHA for administering these programs. The bill also provides for appropriating $40 million to REA for the construction of water and waste water systems.

Rural Water Systems and Rural Electric Cooperatives have worked together for many years to address the infrastructure needs of our rural areas. However, moving FmHA economic development programs to REA would necessitate the creation of a new bureaucracy with new rules, financial arrangements and delivery systems. We don't need more bureaucracy, we need less. The creation of duplicate programs at a time when we are facing huge deficits and budget constraints would be a waste of money which could be better utilized in the rural revitalization process.

The programs necessary to implement a comprehensive rural development initiative are already in place at FmHA County and district offices. Rural people, communities and water systems are familiar with FmHA and accustomed to working with the agency and are knowledgeable of their programs.

Furthermore, there exists a vast difference in the management and operation of a rural water system as compared to a rural electric system. Rural water personnel already have the training and experience required to deal with health concerns, hydraulics problems and other such operations on a routine daily basis. REC's do not. The only similarity is that they serve the same constituency.

During the past 25 years FmHA has done an excellent job of financing and servicing its water and waste water loan portfolio in Oklahoma. They have funded over 300 rural water districts in our state and made hundreds of subsequent loans for system expansion and improvements. Over one-half million people in Oklahoma are served by FmHA financed water and sewer systems.

Adequate supplies of clean water for communities, industry and recreation is near the top of everyone's list when you talk about incentives for economic development. The rural water systems in Oklahoma have an excellent record of providing good quality water to their members. However, there are numerous infrastructure problems that must be addressed. Due to unexpected growth many of our rural distribution systems and treatment facilities are inadequate to meet peak demands. Water and sewer lines in many of our rural towns are old and badly deteriorated and must be replaced. The monitoring, treatment and disinfection requirements mandated by the Safe Drinking Water Act Amendments of 1986 will create a financial hardship for many of our systems. EPA estimates that compliance with the new regulations could raise the water bill for customers of very small system by as much as $30 a month.

Additional monies for loans and grants need to be appropriated to assist with replacing decaying infrastructure, improving and expanding water and sewer systems to meet increasing demands and helping systems meet the requirements of the Safe Drinking Water Act.

Rural water districts are not eligible for HUD Community development block grants, which are available to cities and towns to construct and renovate water and waste facilities. The EPA is terminating its waste water construction grants program and substituting it with a revolving loan program. There is no significant private loan assistance available to build and improve rural water supplies.

FmHA is the only source of financial assistance available to almost all rural water and sewer systems. Improved funding for FmHA programs is essential if rural communities are to have the financial resources necessary to meet the infrastructure needs required to enhance the economic base of our rural areas.

We urge you to strengthen and expand upon past FmHA efforts. We ask that funding for the FY 1990 FmHA water and sewer loan and grant program be reauthorized and that low interest loans be expanded from $340 million to $600 million and that grants be increased from $145 million to $300 million. There are over $800 million in loan requests that are in the field and unprocessed and over $300 million in grant requests.

It is our understanding that House and Senate Committees have included an additional $100 million in rural water grants for FY 1990. We appreciate the Committee's support for additional funding for rural water development. These extra funds are very important to our state and will be of substantial benefit in meeting the needs for adequate water and waste water facilities and satisfying safe drinking water requirements.

While FmHA loans and grants provide the necessary funding for small systems there has been a growing need for on-site technical assistance to help small system operators improve their systems and comply with existing law. In response to this need a rural water technical assistance circuit rider program, funded through FmHA now operates in every state. In Oklahoma, two full-time circuit riders are available to help small water systems solve problems with their water treatment, management, operations, water loss, EPA required monitoring and other problems encountered in their daily operations. The services provided through the circuit rider program are available to all rural and small community water systems in our state upon request. Essentially all of the circuit rider's time is spent responding to systems requests and working one-on-one with their officials to resolve problems. When not working on system requests, the circuit riders routinely drop by systems to visit personnel involved in system management or operation. Nuperous problems, and potential problems are identified through these informal visits and the circuit rider is able to make recommendations on how to improve system operations and management and avoid regulatory compliance problems, all for the benefit of the rural constituency served by the system.

The original circuit rider program has had a tremendous impact on improving the management and operation of water systems in Oklahoma. The program has contributed substantially to more efficient and economical operations, improved management practices, enhanced water quality and compliance with safe drinking water requirements and helped to protect the capital investment of the federal government.

During the past year, ORWA participated in a demonstration waste water circuit rider program. The demand for assistance from small waste water systems for this service has far exceeded our predictions.

In Oklahoma, we employ one full time waste water technical assistance specialist who, like the water circuit riders, is available on request to help small systems solve operational and management problems. We have discovered that many of our small communities have serious problems with treatment, infiltration, testing and other operations and are facing penalties and fines for violation of EPA requirements. The waste water circuit rider program has helped many systems correct operational deficiencies and has had a positive impact on meeting environmental requirements of the Federal Clean Water Act. Response to the program has been so great that we can easily justify the need for a second waste water circuit rider in Oklahoma.

We have observed a need for a solid waste disposal/ground water protection program in our state. Small Communities and rural water systems are continuously faced with issues regarding location of solid waste facilities and protection of aquifer recharge areas. A circuit rider to address this need would help small communities resolve their solid waste problems and protect irreplaceable drinking water supplies from the threat of pollution from waste disposal facilities and other potential sources of contamination. We recommend consideration be given to such a program.

We see and hear daily a growing concern for safe drinking water and protection of our environment. There is little or no chance of meeting the infrastructure needs for water, waste water and solid waste systems and addressing environmental concerns in rural areas and providing adequate funding for business and industrial development without a strong FmHA loan and grant program and effective technical assistance programs to help communities solve problems and comply with federally mandated requirements. If new monies become available in the federal budget these programs should receive a top priority for funding.

I thank you again for the opportunity to appear before this distinguished committee to relate to you our thoughts and suggestions on meeting the infrastructure and economic development needs of the rural areas of our State and Nation. I would be happy to answer any questions you might have at this time.

TESTIMONY OF BOB N. JACKSON
MANAGER, ECONOMIC DEVELOPMENT
PUBLIC SERVICE COMPANY OF OKLAHOMA

Mr. Chairman and members of the Sub-Committee. It's an honor to be here to talk about rural economic development, a subject that Public Service of Oklahoma (PSO) has been vitally interested in for most of our 75-year history -- both as an economic development participant and beneficiary. We also thank the Committee for giving us the opportunity to express our concerns about pending rural development legislation, specifically S.1036.

A brief look at the demographics of our service territory shows why PSO has a vested interest in promoting and encouraging the development of rural Oklahoma. Of the 183 franchised communities we serve, nearly 70% of them have less than 1,500 people, which qualifies them as rural communities under the Rural Electrification Act and state statutes. As a matter of fact, PSO serves only four towns with more than 30,000 customers.

As individuals who live and work in the communities we serve, PSO people have a personal stake in rural development. Our families are directly affected by the vitality of local schools, the condition of the infrastructure, the price and availability of municipal services and the dozens of other factors that constitute the quality of life in a community.

Hence, PSO has good reasons, both tangible and intangible, for being actively involved in rural development. We have responded with a number of complementary economic development programs and strategies, some of which support economic development throughout the state while others are designed to assist rural communities with their special needs. However, it's important to remember that while there are important differences between the development needs of rural and urban areas, some of the similarities are even more striking. This is a point that I will return to later.

If I may, I'd now like to describe briefly some of PSO's economic development activities and some of the results we have achieved to date.

Low energy prices. For an energy provider, a good starting place for economic development is the company's prices. Although energy prices rarely are the sole reason for a company to select a new site, high energy prices can definitely deter a new company or business from locating in an area. Fortunately, PSO's prices now consistently rank in the lowest ten percent nationwide. Numerous new customers who have located from states with more expensive energy have told us that our energy prices were a powerful magnet that drew them to Oklahoma. We've enclosed a recent newspaper article (marked Exhibit 1) about the low energy prices of Oklahoma's investor-owned utilities by Howard Motley,

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Director of Public Utilities of the Oklahoma Corporation Commission.

The Great State program. PSO's "Great State" program is the economic development umbrella program under which we actively market the benefits of doing business in Oklahoma to targeted prospects outside the state. The program emphasizes four important attributes for companies who are considering a new site: Oklahoma as a Great State; as a Great Site for business and industry with numerous available locations and all modes of transportation; a Great Life with abundant opportunities for recreation and cultural growth; and, of course, Great Folks, who are the basis for the other three strengths. Since 1985, when the program began, we have sent nearly 30,000 Great State direct mailings to targeted audiences and regularly advertised in economic development trade journals across the country. These have produced 250 qualified inquiries, with 100 prospect visits. Companies such as Hyspan of Owasso and Hy-Tek Oil Bottling in Chickasha were first attracted to Oklahoma by a Great State mailing.

Industrial team training. This PSO program is specifically designed to help small and rural communities build an effective local economic development organization that can compete for potential new businesses and provide a clearinghouse for inquiries. The training begins with an all-day seminar conducted

by PSO economic development representatives, using outside speakers with special expertise. The local community leaders are taught the basics of building an effective economic development team, how to obtain industrial financing, industrial site development and marketing their communities. A detailed, "how-to" manual is provided (enclosed as Exhibit 2). Representatives from PSO's economic development department or local PSO management then help the group get started, providing it with volunteer help and/or supplementary materials. We conduct four or five training sessions each year and to date, we have conducted over 50 throughout the state, including communities like Oologah, Atoka, Weatherford, Elk City, and Nowata. We have attached letters from several participants as Exhibits 3-11.

Industrial team training by PSO has not only been successful in helping small communities attract businesses; in all cases the training has fostered a sense of purpose and pride among the people in the community. In a very real sense, it has helped many rural towns find the "lights under their bushels".

Economic development videos and brochures. After an economic development team has been formed, PSO communications specialists develop, without charge, promotional materials to support many rural communities' economic development efforts. During the last three years, PSO has produced 7-10 minute video tapes showing the

sites available, describing the unique advantages, interviewing town leaders and giving vital statistics for nine Oklahoma communities, including Weatherford, Lawton, Vinita, Chickasha and Hugo. Copies of these tapes have been mailed out to economic development prospects throughout the country. The company has also developed supporting written materials like the Vinita brochure marked Exhibit 12. Letters about the tapes from community leaders have been enclosed as Exhibits 13 through 21.

Industrial site selection database. As an organization committed to economic development, PSO has the advantage of being familiar with every part of our state. One way we are leveraging this broad base of knowledge is through our industrial site selection computer database. This system, which was developed by our PSO economic development staff, contains up-to-date information on developed industrial sites and available industrial buildings throughout Oklahoma. Using the database, prospective businesses are able to match their requirements with the available sites in Oklahoma. The program has been used by more than 100 companies to date. The system is not limited to PSO's service area: for instance in 1988 a site from our database was used by Howmet, an aviation company, to locate a plant with 50 jobs in Claremore, Okla., which is not in our service territory.

Municipal street lighting. PSO's municipal street lighting change-out program is not specifically designed for rural areas,

but rural communities have been the major beneficiaries of the company's commitment to replace its standard mercury vapor lamp with energy-efficient high-pressure sodium vapor street lights. The program is particularly helpful to small communities since PSO offers discounts on the first 100 lights. Local governments in communities such as Carnegie, Hobart, and Weatherford, have realized savings from 10% to 35%, while improving the appearance and security of their downtown areas, thus enhancing their attraction to an industrial prospect.

Administrative and volunteer support. Besides implementing its own economic development programs, PSO and its employees support the economic development programs of our allies. PSO people participate as members of local economic development groups such as chambers of commerce and regional economic development organizations like Oklahoma Mountain Metro Inc., composed of nine counties in southwestern Oklahoma, and West Central Oklahoma Resources Extension, Inc., a six-county organization in western Oklahoma. The company also provides financial resources and lends its expertise to help small communities secure government economic development assistance, loans and grants. For instance, PSO recently assisted the city of Grove, Okla. in obtaining a $500,000 grant which resulted in the location of a new industry with 50 new jobs the first year, expanding to 150 by the third year in this community of 3,300. Along this line, the company provided financial assistance to Elk City, Okla. to conduct a

feasibility study for growing and processing Kenaf, a wood pulp substitute for paper manufacturing that could be used to diversify that area's oil and gas economy.

All of these activities have yielded impressive results. We estimate that during the last five years PSO's economic development programs have helped to attract 198 new and expanded companies with more than 8,000 jobs to Oklahoma. Many of these jobs are in rural Oklahoma. Some are in urban areas like Tulsa and Lawton. What is often overlooked, however, are the connections between rural and urban economic development, how the two complement one another. Certainly, there are important differences between rural and urban Oklahoma -- the sense of community and belonging in a small town, the cultural amenities and access to transportation in large cities -- but the two are a powerful combination together. Is there any doubt that Weatherford, Oklahoma's considerable virtues as an economic development site are enhanced by being about one hour away by car from Oklahoma City? Or that Vinita becomes an even more attractive candidate for a new site because it is only 45 minutes from Tulsa? The new $150 million Kimberly-Clark paper plant at Jenks,Oklahoma will provide employment for 300 people initially and up to 600 within about five years. Those jobs will be filled by residents of not only Jenks and Tulsa, but also Bixby, Glenpool, Mounds, Liberty Mounds, Beggs as well as rural residents of Creek, Okmulgee, Haskell, Tulsa and other nearby counties.

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The case of Inola Coil is a good example of the synergies that are achieved through cooperation in rural and urban economic development. Inola is a small community of about 1,500 people twenty miles from Tulsa. A local entrepreneur, Dan Parris, was presented the idea of starting a business to rewind starter coils for Unit Parts Company, a large Oklahoma City parts re-manufacturer. This idea came from the economic development professionals at the Metropolitan Tulsa Chamber of Commerce. They assisted him with the business plan and he then raised $300,000 locally to start the business. PSO leased an unused building in Inola to the new company at a very reasonable cost. The company will begin production this month, shipping coils to Unit Parts Company. These coils manufactured in Inola will replace coils that heretofore were manufactured in Canada.

Interdependence is a common theme running through all of PSO's economic development activities. No one -- federal and state governments, municipalities, industrial foundations and PSO's own program -- can do the job alone.

We support anything that facilitates cooperation and sharing among economic development groups. And we are very concerned with any legislation that would limit our participation or the participation of others in this vital activity. We believe legislation such as the Rural Partnership Act (S. 1036) which

excludes investor-owned utilities from obtaining rural development grants, is counter-
productive and not in the public interest. Excluding PSO from access to these funds would disenfranchise PSO's rural customers, placing their communities at a disadvantage compared to other communities that are eligible for the grants.

The system of public-private economic development partnerships that has evolved in this country is one of the best kept secrets of the decade. We believe further progress will depend on maintaining the existing flexible framework of government agencies and private corporations. In a sense, these economic development partnerships harken back to a great rural American tradition, the barn raising, where everyone rolls up their sleeves and good ideas are welcomed from any quarter, where it doesn't matter who gets the credit as long as the job gets done. As you craft legislation to promote rural economic development, those of us at PSO ask that you allow us to help our communities in any way possible -- because without everyone's efforts the barn will not be built.

(Attachments follow:)

HOWARD W. MOTLEY JR.
Inside business

Utility rates fuel growth

Low utility rates and reliable service are major concerns of industrial customers with large energy usage.

This emphasis on utility service gives Oklahoma a prime drawing card for new industry, since our state holds an edge on both cost and reliability.

The three largest energy utilities — Oklahoma Gas and Electric Co. (OG&E), Oklahoma Natural Gas Co. (ONG), and Public Service Co. of Oklahoma (PSO) — serve approximately 73 percent of Oklahoma's electric consumers and 74 percent of gas consumers.

These Oklahoma utilities' prices are competitive and compare very favorably to neighboring states and the nation as a whole.

Edison Electric Institute's winter 1987-88 utility cost survey affirmed that Oklahoma City and Tulsa residential and industrial electric rates have consistently ranked among the most reasonable in the nation.

Oklahoma City's typical residential electric bill ranked 142nd, in the lowest 34 percent, while Tulsa's rank of 149th placed it in the lowest 14 percent.

Oklahoma City's industrial electric bill ranked 181st, in the lowest 16 percent, and Tulsa's bill ranked 174th, in the lowest 19 percent.

The American Gas Association's (AGA) Dec. 17, 1987, publication Bill Comparison Report, asserted that Oklahoma City and Tulsa typical monthly residential natural gas bill ranking was 113 of 127, placing Oklahoma residential costs in the lowest 11 percent.

The ranking of typical industrial bills in the two cities was even lower, 124th of 125, which places Oklahoma City and Tulsa industrial rates in the lowest-price 1 percent.

The utility rates in Oklahoma City and Tulsa apply in all cities served in Oklahoma by these utilities, e.g., Jet, Kellyville, Fort Gibson, Ringling, Sentinal and Tuttonsago.

Oklahoma fortunate

With respect to its gas and electric utilities, Oklahoma is most fortunate both in absolute and comparative terms.

Because the state is a large producer of natural gas, there are inexpensive and abundant supplies for direct gas application in homes and industry and as a boiler fuel for generation of electric power throughout the state.

Additionally, Oklahoma is in no way dependent upon nuclear power, but instead relies on coal as an alternative fuel to natural gas.

Given the economic and political trauma which has come to be associated with nuclear power throughout the nation, Oklahoma is indeed fortunate to be dependent on two relatively stable fuel sources for the generation of electricity.

The other area of concern is the availability and reliability of utility service.

Reliable electric and gas service is not just important, it is essential to the operation of most business and industry.

OG&E and PSO have never had to curtail service because the power was not available and each company has a reliability factor of 99.9 percent.

Due to proper system design and controlled gas reserves, ONG has only curtailed deliveries in three of the past 12 years, and the largest annual curtailment during that period was only 0.189 percent of the total system sales.

Attracting new industries, as well as retention and expansion of existing industries, is of vital exigency.

The field of public utility regulation faces many challenges in our changing economy and technology.

While regulators must heed precedents and established procedures, they must also recognize the need for changing ideas, methods, and rules to encounter present and future conditions.

Effective and continued regulation of public utilities is paramount to the success of Oklahoma's economic endeavors.

Howard W. Motely Jr. is director of the public utility division on the Oklahoma Corporation Commission.

EXHIBIT 1

TULSA TRIBUNE
MAY 29 1989

OKLAHOMA

A Great State For Your Business!

EXHIBIT 2

Economic Development Department

PSO

Public Service Company of Oklahoma

PREFACE

The professional community development agency, whether it be state, regional or private, must ultimately depend for its effectiveness on the talents of local volunteer leaders.

The professional community development consultant through programs of advertising and personal prospect solicitation can identify businesses seeking to expand. The professional community development consultant can, by rendering a valid and sincere service to the business executive, win his confidence and respect. He can provide facts, figures and other data and in this regard render a meaningful and valuable service to the business client.

There are important factors in every business location, however, which are local. Responsibility for those local elements in the location study and for the ultimate task of selling the community to the business prospect must finally rest upon the shoulders of local volunteer leadership.

Experience of professional community development agencies in dealing with volunteer groups active in economic development matters weighs heavily in favor of the establishment of an industrial team.

Concept of the local volunteer group or team trained to the point of expertness in major fields of community development is not new. Well-trained groups have been doing an effective job of representing their community to prospective employers for many years.

It is a matter of record that groups which have been most successful in community development have been those which have accepted the serious responsibility of acquiring the knowledge and skill required to adequately represent the community. It can be demonstrated that in the long run the community leaders who have trained together, worked together, and stayed together in business development effort have been the most successful for their community.

The following program is designed to produce such a team.

THE TEAM

The industrial team is a permanent sales organization. It is not and should not be set up merely as a committee of a chamber of commerce or business development foundation. There is a strong tendency to rotate personnel on such committee assignments and such rotation is extremely detrimental to the efficient operation of a business development team.

The industrial team should be a permanent assignment. The individual who accepts responsibilities of membership on the team should do so with the understanding that it is a permanent assignment and that he will be expected to become an expert in his chosen field. He should prepare to make himself available to represent the community on any and all occasions which may require it.

The sponsoring organization, when establishing an industrial team, should in turn take cognizance of the substantial individual effort members of the team will invest in learning their respective assignments. It should be clearly understood that assignments are permanent in nature and normally are not to be rotated by future administrations.

Responsibility for successful operation of an industrial team weighs heavily on both the sponsoring organization and the individual team member. Sponsoring organizations have a responsibility to sustain the team with both moral and financial support and to take whatever steps required to insure effectiveness and permanency of individual assignments.

Incumbent on team members is a responsibility to become completely competent and knowledgeable in assignments. They should clearly understand that training is required and that a certain amount of time must be devoted to the acquisition of skills--both individually and collectively.

On the following pages details of forming and training an industrial team are presented in detail.

(The complete report is held in the committee files.)

COOPERATIVE EXTENSION SERVICE
DIVISION OF AGRICULTURE • OKLAHOMA STATE UNIVERSITY
Northeast District Area Specialists • Second and Court, Suite 801
Muskogee, Oklahoma 74401 • (918) 687-2482

August 2, 1989

EXHIBIT 3

Bob W. Jackson
Manager of Economic Development
Public Service Company of Oklahoma
P. O. Box 201
Tulsa, Oklahoma 74102

Dear Bob:

I would like to express my appreciation and appreciation of the communities where community economic development retreats have occurred in Northeast Oklahoma to you and the Public Service Company of Oklahoma for your work and assistance in making the community economic development retreats a successful program.

Helping community leaders to better understand the total importance of industrial development and the programs that are offered through your company and through other agencies throughout the state in industrial development have been an integral part in the success of these economic development retreats. Specifically, I would like to express my appreciation for your assistance in the communities of Skiatook, Henryetta, Okemah, and Jay along with other communities which you have helped in establishing the overall program format and direction of the workshops.

Thanks for your help and assistance of Public Service Company of Oklahoma in these workshops.

Sincerely,

Ed Henderson

C. Edward Henderon
Area Extension Rural
Development Specialist

CEH:jic

CENTENNIAL 1890 • 1990

Celebrating the Past Preparing for the Future

A.T. JONES, City Manager
STEVEN L. HOLLOWAY, City Attorney

GUY R. HYLTON, JR., Mayor

DAVID BAILEY, City Clerk
P.H. WHITNEY, City Treasurer

CITY OF ELK CITY

"Gas Capital of the World"

P.O. BOX 1137
ELK CITY, OKLAHOMA 73648

CITY COMMISSIONERS
Ray Duffy-Ward 1
Basil Weatherly-Ward 2
Paul Kane-Ward 3
George C. Easter-Ward 4

August 4, 1989

Mr Bob Jackson
P O Box 201
Tulsa, OK 74101

EXHIBIT 4

Dear Mr Jackson:

The City of Elk City would like to thank PSO for their cooperation with the City of Elk City in conducting the Economic Development team training here in Elk City. The facilitation and coordination by PSO was a great assistance in advancing our Economic Development efforts.

We appreciate PSO's involvement in the West-Central Oklahoma resources extension and the summit meeting held here in Elk City. This gave many people better understanding of the work to be done in this area.

Again, we would like to thank PSO for their leadership in Economic Development in our City.

Sincerely,

Guy R Hylton, Jr
Mayor of Elk City

GRH/cds

ED BERRONG | REAL ESTATE

520 EAST MAIN STREET — P.O. BOX 268
WEATHERFORD, OKLA. 73096
405-772-3329

4 August, 1989

REALTOR®

EXHIBIT 5

Bob Jackson
Public Service Company of Oklahoma
Box 201
Tulsa, Oklahoma 74102

Dear Bob:

I wish to express my appreciation to you, Craig Nixon and all the speakers who made the last weeks at the Weatherford Industrial Team Training Session such a success. It was an interesting and informative program.

As past president of the Weatherford Chamber of Commerce, I have been impressed by the cooperation and effort Public Service Company has made in helping communities grow and expand their economic base. This continued effort will surely result in a brighter future for all concerned.

Sincerely,

ED BERRONG REAL ESTATE

Mark Berrong

MB-bh

August 03, 1989

Mr. Bob Jackson
Economic Development Manager
Public Service Company of Oklahoma
P.O. Box 201
Tulsa, Ok 74102

EXHIBIT 6

RE: Economic Development Training

Dear Mr. Jackson,

I am hoping the old saying "better late than never" will stand to give me a chance to thank-you and your staff for the Economic Development Industrial team training. The training that you provided for the Atoka group, in my opinion, has been the best I have received.

Over the past few months, two (2) companies have been in Atoka looking to expand in this area. When I am given enough lead time, before a prospect arrives, I briefly review my notes from the sessions and then put on my best hat and "smile".

Again, please except my sincere thanks for the time and effort that you put into the sessions for Atoka. Also, I want to thank Public Service Company of Oklahoma for sponsoring this excellent program.

Sincerely,

Martha Yates

Martha Yates

MLY:gdm

cc: Mr. Jeff Applekamp
P.O. Box 488
Atoka, Ok 74525

City of
SAND SPRINGS
CITY HALL • SAND SPRINGS, OKLAHOMA 74063 • (918) 245-8751

August 4, 1989

Bob Jackson
Economic Development
Public Service Company of Oklahoma
P.O. Box 201
Tulsa, OK 74102

EXHIBIT 7

Dear Bob:

On August 3, Linda Gibbs, writer/producer for PSO conducted her interview of me for Sand Springs' Industrial Attraction Audio Visual tape. It appears that the development of this economic development tool is getting well along toward completion, and I want to take this means of expressing our appreciation for PSO's tremendous assistance in this regard.

In addition, I want to thank you and PSO for the assistance you have given our economic development efforts by conducting the Team Training Seminar for our community leaders on February 15.

We are also grateful for the numerous inquiries that we have had from you and Greg Nixon, attempting to match up the prospects that PSO has generated with lands and buildings in and around Sand Springs as potential sites for their plant locations. We hope and trust you will keep those cards and letters coming!

Further, we look forward to the time in the near future when the City of Sand Springs will have the necessary financing to install the basic infrastructure for an industrial park development on property at the William R. Pogue Municipal Airport. An important part of the financial capability of the City in developing an industrial park in the rural area surrounding the Airport will be PSO's participation in extending 3 Phase electric power to the area which is vital to the success of this economic development effort.

In summary, we just want to thank you for PSO's efforts to support our economic development program here in Sand Springs, and would ask that if you see areas where we can improve at the local level, you would so apprise us.

Sincerely,

Vernon Smith

Vernon Smith, Director
Economic Development Services

Grove Area Chamber of Commerce

P.O. Box 1172, Grove, OK 74344 918-786-9079

November 11, 1987

EXHIBIT 8

Mr. Mark Brickman
District Manager
Public Service Company
P. O. Box 50
Grove, OK 74344

Dear Mark:

Just wanted to drop you a note and tell you how much we appreciate your arranging for the Grove Economic Development Commission to have the benefit of Public Service Company's industrial training seminar. I appreciated having the opportunity to be a part of these sessions.

We appreciate your support and involvement not only in Chamber programs but in the overall community development. By copy of this letter, I would also like to express my appreciation to Messrs. Bob Jackson and Greg Nixon for their time and effort in scheduling the speakers and making the presentations.

Sincerely,

Carolyn Garber
Executive Director

CG/lm
cc: Bob Jackson
Greg Nixon

McALESTER
ECONOMIC
DEVELOPMENT
SERVICE, INC.

August 3, 1989

EXHIBIT 9

Mr. Bob Jackson
Public Service Company
P. O. Box 201
Tulsa, OK 74102-0201

Dear Bob:

Just wanted to drop you a line to thank you for the assistance you have provided for McAlester Economic Development Service, Incorporated.

As you are well aware, advertising in the national relocation magazines is quite high, therefore, we have restricted our advertising in these magazines, and have instead began networking with organizations such as yours. The relocation leads that you have provided us have been very good, and we will eventually land one of these businesses in McAlester.

We also are very grateful for the economic development training, the McAlester video tape, as well as the printing assistance provided M.E.D.S. for small business development and target industry letters.

With support from organizations such as yours, small communities and rural America can develop and grow.

Thanks for your support.

Sincerely,

T. L. Heilig

Mr. Terry Heilig
Executive Director

rw

17 EAST CARL ALBERT PARKWAY P.O. BOX 759 McALESTER, OKLAHOMA 74502 918 423-2583

OWASSO
ECONOMIC DEVELOPMENT AUTHORITY

301 West Second Avenue
P.O. Box 163
Owasso, OK 74055
(918) 272-2141

EXHIBIT 10

Bob Jackson, Manager Economic Development
Public Service Company of Oklahoma
P.O. Box 201
Tulsa, OK 74102

Dear Bob:

I want to take this opportunity to tell you how much we appreciate the efforts you and your company have put into the training program for our economic development team and the production of the economic video for Owasso industrial prospecting.

Your generous support of office space for the Owasso Economic Development Authority has been of tremendous assistance to us in starting our economic development program. This has provided the emphasis to start an economic development program on our already strained budget.

Thank you again for your support and encouragement to the Owasso Economic Development Authority.

Sincerely,

Alan Anderson, Chairman
Owasso Economic Development Authority

BARTLESVILLE AREA CHAMBER OF COMMERCE
P.O. Box 2366 • 201 S.W. Keeler • Bartlesville, Oklahoma 74005 • Phone 918-336-8708

EXHIBIT 11

November 3, 1988

Dave Deffenbaugh
Public Service of Oklahoma
P.O. Box 249
Vinita, OK 74301

Dear Dave:

Our thanks are extended to you for your time and effort you gave in speaking at the Leadership Bartlesville program.

The information and expertise that you shared with the group was very important in proving this program successful.

Again, thank you.

Sincerely,

Cindy

Cindy L. Keaton, Manager
Community Development Department

CLK:lpk

ACCREDITED

Where

For details, statistics, site search and selection assistance,

the

contact the Executive Director, Vinita Chamber of Commerce,

#%&*!

P.O. Box 882, Vinita, Oklahoma 74301, 918-256-7133.

is

And be sure to ask about our videotape,

EXHIBIT 12

Vinita,

"Vinita -- Oklahoma's Bright Spot".

Oklahoma?

It's where you'll find your next industrial site!

Here are four reasons why.

Location

Vinita is located in the heart of Oklahoma's Green Country, within 12 hours of more than 25 million customers in cities such as Dallas, Houston, Wichita, St. Louis, Omaha, Des Moines, Amarillo, Denver, Kansas City, Chicago and Memphis. Excellent transportation, including four-lane accessibility within Vinita, means you'll never be at a loss for shipping or receiving goods.

Highways
Interstate 44
U.S. 60
U.S. 66
U.S. 69
Oklahoma 2

Air Service
Tulsa International Airport
(60 minutes)
American, TWA, United, Southwest, Sun World, Delta, Esec Express, Eastern, Northwest Orient, Air Midwest, Continental
Joplin Municipal Airport
(60 minutes)
Eastern, Air Midwest, Trans World Express, Northwest Airlink
Vinita Municipal Airport
2,850ft. asphalt runway for small business aircraft
private hangars, charter service available

Port of Catoosa
Arkansas River Navigation Channel
(45 minutes)

Rail Service
Missouri, Kansas, Texas Railroad
Burlington Northern St. Louis
Railroad

Motor Carriers
Greyhound
United Parcel Service
8 Motor Freight Carriers

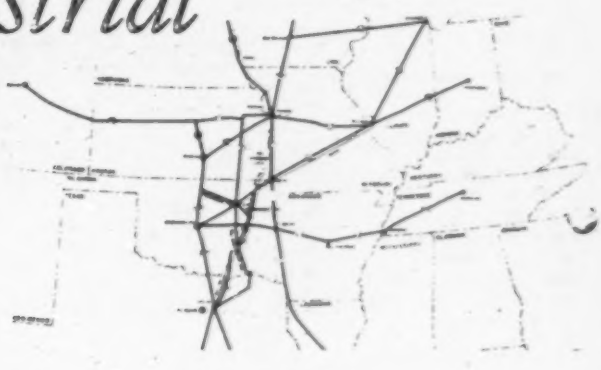
Work Force

Eighty-five hundred people in Vinita and the surrounding area form a wide range of skills and are ready and willing to go to work. Outstanding primary and secondary educational facilities ensure a trained work force. Two vocational schools can quickly and effectively design programs for training needs specifically for your company, through one of the most recognized systems in the country.

Primary Education
1 Private School
3 Elementary Schools
1 Junior High School
1 High School

Higher Education
Bartlesville Wesleyan College
(60 minutes)
Northeastern Oklahoma A&M College - (0 minutes)
Oklahoma State University
2 hours)
Oral Roberts University
(60 minutes)
Rogers State College - (0 minutes)
University of Oklahoma - (1 2 hours)
University of Tulsa (60 minutes)

Vocational Education
Northeast Area Vo-Tech - Afton
20 minutes)
Northeast Area Vo-Tech. Pryor
(0 minutes)

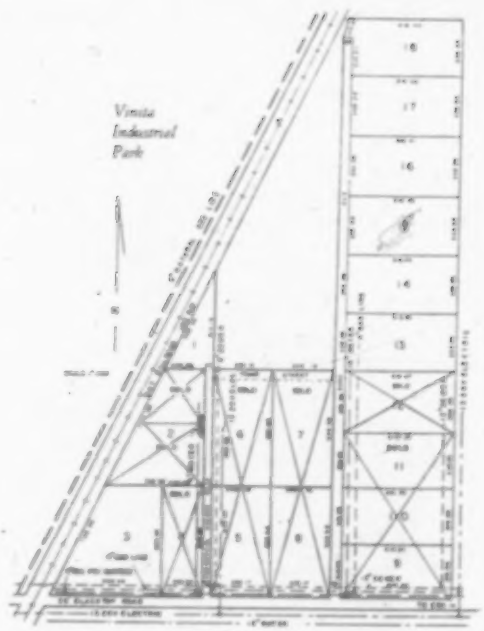


Vocational training can be established in technical and non-technical areas, taught by top instructors using state-of-the-art equipment and methods. On-site training available.

Immediate Service

When you're ready for Vinita, Vinita is ready for you. The Vinita Industrial Park, which already serves Great Plains Coca-Cola Company, the Dana Corporation and United Parcel Service, is equipped with all utilities to meet your every need. And the rail line adjacent to the park puts shipping and receiving at your fingertips. Cooperative financial sources also are available for start-up businesses, expansion projects and continuing operations.

Utilities
Electricity
Public Service Company of Oklahoma
Competitive industrial pricing options available
Gas
Kansas Power & Light Company
Telephone
Southwestern Bell Telephone Company
Water
Source: Grand Lake
Capacity: 9,000,000 GPD
Maximum Daily Consumption 2,125,000 GPD
Sanitation
Trickling filter sewerage treatment plant
Capacity: 1,200,000 GPD
Current Load: 800,000 GPD
Finance
2 Commercial Banks
Total Assets: $123,132,445
1 Savings and Loan Association
Total Resources: $451,812,083
Industrial Revenue Bonds
Issued for new and expanding industries by Vinita Industrial Foundation, as permitted by federal law.
Venture Capital
Venture Capital Exchange, University of Tulsa
Davis Venture Partners
State Agency
Oklahoma Development Finance Authority



After Hours

After a hard day's work, you'll never be at a loss for rest, relaxation and entertainment. In and around Vinita, you'll find recreational activities to attract the whole family.

Vinita R&R
Vinita Golf and Country Club
9-hole golf course (public), 2 tennis courts, swimming pool, club house and dining room
Municipal swimming pool
Little League
baseball, softball, football, soccer, basketball
Vinita Annual Cafe Fry
Will Rogers Annual Rodeo
3 city parks
120 retail businesses
18 eating establishments
11 churches

Grand Lake O' The Cherokees
(15 minutes)
GRAND LAKE reservoir has over 1,300 miles of shoreline and is 46 miles long. Featuring the Pensacola Dam, the longest multiple arch dam in the world, Grand Lake offers the best there is in boating, swimming, water skiing, hunting, fishing and numerous state parks with camping facilities available.

SHANGRI-LA, one of the nation's finest recreation and resort facilities, is located at Grand Lake's Monkey Island. It is complete with a lodge, townhouses and high-rise condominiums, marina, health spa, and sports center for tennis, racquetball, bowling and two 18-hole golf courses. The visitor is provided an air strip for corporate aircraft and easy access. Casual and gourmet dining, specialty shopping and riding stables are just a few of the enticements of Monkey Island.

Tulsa, Oklahoma
(60 minutes)
Cultural activities abound in this city of polished, urban sophistication. Enjoy an evening at the Tulsa Performing Arts Center watching Broadway plays, the Tulsa Ballet Theatre, the Tulsa Opera or listening to the Tulsa Philharmonic. Spend an afternoon treating the senses at Tulsa's two world-class museums, The Gilcrease Museum and Philbrook Art Museum. Browse at one of Tulsa's five large shopping malls. Enjoy dining and dancing at any of Tulsa's fine restaurants and clubs with cuisine to suit any palate.

VINITA CHAMBER OF COMMERCE
P.O. BOX 682
VINITA, OKLAHOMA 74301
(918) 256-7133

VINITA
OKLAHOMA'S
BRIGHT SPOT

EXHIBIT 13

April 8, 1987

Mr. Bill Crawley
Manager, Corporate Communications
Public Service Company of Oklahoma
P.O. Box 102
Tulsa, Oklahoma 74102

Dear Mr. Crawley:

On behalf of the Vinita Chamber of Commerce and its Board of Directors, I am pleased to say "thanks for a job well done" and congratulate you on the production of the Vinita Chamber of Commerce industrial development video tape entitled "Vinita, Oklahoma's Bright Spot". Your PSO Corporate Communications Department proved to be the bright spot in the Vinita Chamber of Commerce industrial development program as a result of the PSO production of this outstanding video tape.

The highly professional video production is an excellent industrial recruiting tool already gaining for Vinita much attention and respect thanks to your staff at PSO. "Vinita, Oklahoma's Bright Spot" has been shown to numerous civic organizations and Vinita community leaders while copies of the tape have been delivered to the Oklahoma State Chamber of Commerce and Industry, the Oklahoma State Department of Commerce, U.S. Representative Mike Synar, U.S. Senators David Boren and Don Nickles, Vinita Chamber of Commerce industrial firms TRW Connectors and Dana Weatherhead Division as well as, of course, numerous industrial and other types of business prospects. Needless to say, the Vinita Chamber of Commerce is mighty proud of this video tape produced by PSO.

Again, THANK YOU for PSO's investment in the Vinita Chamber of Commerce industrial development program. Because of PSO's helping hand, Vinita will surely benefit greatly.

Yours in Business,

Kurt

Kurt S. Winden
EXECUTIVE DIRECTOR

KW/psc

Lawton CHAMBER

EXHIBIT 14

August 3, 1989

Bob Jackson
Economic Development Manager
Public Service Company of Oklahoma
P O Box 201
Tulsa, Oklahoma 74102

Dear Bob:

In our economic development efforts one of the major support items for us has been the video tape that your company was kind enough to produce. When Marquardt was considering locating here, it was the film presentation by your company that we used. As you know, Marquardt has announced for Lawton and we are moving along those lines to a successful construction. I have also shown the tape many times to prospects coming through.

It would seem necessary, probably every three years or so, to redo the film in order to keep it current. That, of course, is your decision.

We really appreciate your support in this area and I personally think that a video tape is the only way to sell a community today.

Sincerely yours,

Owen S. (Sam) Ard
President

VINITA CHAMBER OF COMMERCE
P.O. BOX 883
VINITA, OKLAHOMA 74301
(918) 256-7133

VINITA
OKLAHOMA'S
BRIGHT SPOT

August 2, 1989

EXHIBIT 15

Mr. Bob Jackson
Public Service Company of Oklahoma
P.O. Box 201
Tulsa, OK 73102

Dear Mr. Jackson:

A Vinita Chamber member gave me the name and address of her brother who owns a manufacturing concern in Southern California and has been considering moving back to this area.

I wrote him a letter inviting him to consider Vinita in his plans for the future of his company. I also sent him a copy of the "Vinita Bright Spot" video and an industrial brochure—both of which were produced for us by Public Service Company of Oklahoma.

The Chamber member dropped by my office today to tell me her brother received my package. He was very impressed with what he saw and heard. It will be a matter of time before his decision will be made but Vinita has made a memorable impression on him and he promised his sister he would share the video with his friends.

We appreciate the commitment PSO has made to Vinita in producing the video, industrial brochure and the other services you have made available to us to enhance our economic endeavors and we thank you.

Sincerely,

Lynda Sooter

LYNDA SOOTER
Executive Director

LS:tt

Chickasha Today

CHAMBER OF COMMERCE

April 18, 1988

EXHIBIT 16

Stan Whitaford
P.O. Box 201
Tulsa, OK 74102

Dear Stan,

Thanks again for your efforts relating to the video production for Chickasha.

I've heard a number of favorable comments on the quality of the presentation. You certainly accomplished what you set out to do.

Again, thanks for your contribution to our economic development effort. Your work is really appreciated.

Sincerely,

Jeff Davis

JD/as

cc H D Ladyman

TELEPHONE (405) 224-0787 P.O. BOX 1717 CHICKASHA, OKLAHOMA 73023

ACCREDITED

RC - Mr. Churchwell
Chuck King
Ken Kay
Will Easton

August 6, 1986

EXHIBIT 17

Mr. Martin Fate
Public Service Company of Oklahoma
Post Office Box 201
Tulsa, OK 74102

Dear Mr. Fate:

Once again, PSO has shown their commitment to bettering the economic climate in Southeast Oklahoma; this time with the production of a special video tape to help our industrial recruiting effort.

As the Executive Director of McAlester Economic Development Service, I would like to commend the work of the following PSO employees: Bob Jackson, Stan Whitford, Greg Nixon, Linda Gibbs, Bill Crawley, and Gary Hallmark. Without their help, we would never have been able to have this excellent presentation.

I would also like to thank you for allowing Gary Hallmark and Bob Jackson to fill in for me when a family emergency took me out of town, and we had a prospect looking at McAlester.

It is great to know that PSO provides more than lip service to the concept of economic development. Again, on behalf of all of us in McAlester, thank you.

Cordially,

Everett L. Slosman, CID/CED
Executive Director

ELS/dv

The Economic Development Council
EDC
P.O. Box 1717 • Chickasha, OK 73023 • (405) 224-8887

July 31, 1989

Mr. Bob Jackson
Economic Development Director
Public Service Company
P.O. Box 201
Tulsa, OK 74102

EXHIBIT 18

Dear Mr. Jackson:

I would like to thank you and Public Service Company for the additional 24 copies of our Chickasha video tape that you recently shipped to us. As you know, we use them in our efforts at recruiting industrial prospects. The quality of the tapes makes us proud to send them out to tell our story.

I can't begin to tell you how much we in Chickasha appreciate Public Service Company for producing this video detailing the services offered by our Economic Development Council. It is a real comfort to know that all we have to do is call and additional copies are soon in the mail. Obviously since we have recently run out of them they are greatly in demand.

MD Ladyman, our PSO District Manager, is a vital participant in our economic development efforts and serves on our Economic Development Council (EDC). Having served as one of the seven board members on the EDC since it's inception in 1984 MD was instrumental in development of our program of work and has accompanied staff on industrial calls both in-state and out-of-state.

PSO plays a dynamic role in introducing us to potential prospects and assisting us in the recruiting effort. We are currently working with one prospect originally introduced by Greg Hixon of PSO. The company has indicated that they will locate in Grady County as a result of the combined efforts of PSO and the Chickasha EDC.

Sometimes we forget to say thanks for all you do. I personally appreciate your leadership on the Governor's Industrial team and in the Oklahoma Industrial Development Council. Let's continue to Share the Future!

Sincerely,

Jim D. Mason
President

VINITA CHAMBER OF COMMERCE
P.O. BOX 882
VINITA, OKLAHOMA 74301
(918) 256-7133

VINITA
OKLAHOMA'S
BRIGHT SPOT

EXHIBIT 19

June 19, 1989

Mr. Dave Deffenbaugh
Public Service Co.
P.O. Box 249
Vinita, OK 74301

Dear Dave:

The ad that P.S.O. had put in the Pestritto tab looked great. Thank you for plugging the Vinita Chamber of Commerce. There was no way we could have purchased one.

If it wasn't for P.S.O. and you there wouldn't have been a party because Pestritto wouldn't have located here.

What would we do with out you, Dave!!

Sincerely,

Lynda

LYNNDA SCOTER
Executive Director

LS:tt

WELCH STATE BANK

Member FDIC

Charles L. Stoner, President

December 22, 1988

EXHIBIT 20

Dave Deffenbaugh
Public Service Company of Oklahoma
125 So. Scraper
Vinita, OK 74301

Dear Dave

It gives me great pleasure to congratulate you and the industrial team of Vinita on your landing the Pestritto Foods.

I want you to know that we feel you are a very unselfish person and what few people you know in Welch are very greatful for your helping us in getting our economic efforts started.

Sincerely

Charles L. Stoner

Charles L. Stoner
President

CLS/cp

VINITA CHAMBER OF COMMERCE
P.O. BOX 882
VINITA, OKLAHOMA 74301
(918) 256-7133

VINITA
OKLAHOMA'S
BRIGHT SPOT

January 8, 1988

EXHIBIT 21

Mr. Martin Fate, C.E.O.
Public Service Company of Oklahoma
P.O. Box 201
Tulsa, OK 74102

Dear Mr. Fate:

The industrial recruitment brochures that Public Service Company of Oklahoma printed for the City of Vinita are beautiful! The brochures that I have seen in the past do not compare to the one Beth Schmidt designed. She made quite an impression on those of us who were priviledged to work with her. Thank you for providing us the creative talents of Beth Schmidt and your publishing department.

I've always heard that no individual or organization is indispensable, but frankly, I don't know what we at the Vinita Chamber of Commerce would do without the Public Service Company of Oklahoma. Any power company can give us electricity, but only PSO can give us Dave Deffenbaugh and he is a much more precious commodity. To many people in Vinita, Dave Deffenbaugh is the Public Service Company of Vinita. What a credit to your company to employ fine people like Beth, Dave and his staff in Vinita.

In researching Vinita history, I discovered that in 1913 the light plant in Vinita was sold to Public Service Company and became one of the five original towns in your company's system. We in Vinita are proud that PSO is part of our history and proud that PSO continues to be so involved in our future. Together we are making Vinita "Oklahoma's Bright Spot"!

Sincerely,

Lynda Scoter

LYNNDA SCOTER
Executive Secretary

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Testimony of

Tom Duck

Executive Director, Texas Rural Water Association

Mr. Chairman, thank you for the opportunity to testify before your rural development Committee today. I represent the Texas Rural Water Association (TRWA), which is composed of over 500 non-profit rural water systems in Texas who serve drinking water to some 2.5 million Texans. This Committee has a special opportunity to sort out the problems and define the needs of our rural communities, and we are privileged to be a part of your effort to find new solutions.

Our primary message today is to urge your support of the FmHA water and sewer program. Over the past twenty-five years the federal government, with the support of this Committee, has transformed the face of rural America through its Farmers Home Administration (FmHA) rural water and sewer grant and loan program. Approximately $9.8 billion in FmHA water and sewer loans have been made during this period and over $3.1 billion in grants. These funds have been available to groups of rural residents and to small municipalities which have no other source of long-term financing for small water systems. These small water systems have a delinquency rate on loan payments of less than 1%, and many have generated their own funds to expand and provide safe water to a growing number of rural residents.

To realize how far we have come, one only has to speak with the board members of the National Rural Water Association from each state. Over one-half of the members come from families that hauled water in their youth. A majority recount vividly the impact that clean drinking water had on their lives as well as on the health of their families. The vast majority of Americans cannot conceive of living without clean, safe, tap water and, as a result, without a reliable domestic water supply rural residents would have moved out of rural areas long ago. It is frightening to think of the circumstances we would be in in rural America without the 29,298 small water and sewer system loans provided by the FmHA program.

We believe that these rural water systems form the backbone of rural community development, and we are here to urge you to strengthen and expand upon past FmHA efforts. Our recommendations to you are straightforward and simple. We urge the following:

(1) Reauthorize and expand the FmHA rural water and sewer grant and loan programs to a level of $300 million for grants and $600 million for loans.

(2) Authorize a rural waste water circuit rider program which would provide for at least one circuit rider in each state.

(3) Authorize a rural groundwater/solid waste disposal circuit rider program which would provide for at least one circuit rider in each state.

The requests are made in light of the current need for adequate and safe drinking water, sewer treatment facilities and sanitary land fill facilities in rural communities. These kinds of facilities are needed because without this type of sanitary system infrastructure it will be impossible for small communities and rural areas to compete with the urban areas of the country. In addition, there is a well recognized, growing danger to the quality of the rural environment, and our rural citizens deserve the same environmental protection efforts that are found in metropolitan areas.

The rural water grant and loan program is essential to rural environmental quality. There is no other significant federal or private loan assistance available to build and improve rural water supplies. In addition, with EPA terminating its waste water construction grants program and substituting it with a more limited revolving loan program, the FmHA program will also be the only significant source of grant funds for construction of small waste treatment systems. This is occurring at a time when many rural areas are now out of compliance with the Federal Clean Water standards and with Federal Safe Drinking Water Act (SDWA) requirements. For example, the number of contaminants that must be tested under the SDWA will increase from five to eighty-three over the next three years. Approximately 65% of the water systems affected by these new requirements serve under five hundred families. Without FmHA grants and loans rural communities will not have the resources needed to meet those increased federal requirements. Only 20% of water systems will not have to add additional treatment.

While the grants and loans provide the invaluable resources for small systems, there has been a growing need for on-site technical assistance to help part-time water operators improve their systems and comply with federal law. In response to this need, the National Rural Water Association created a rural water technical assistance circuit rider program which now operates in every state. This program provides a full-time person available to help small systems solve problems with their water treatment, billing, management, operations, water loss, EPA required testing and other problems routinely faced in their daily operations. Circuit riders are available to sit down and work with any small community system in a state on request. In some cases, the Circuit Rider, by simply stopping by to visit a part-time operator, is able to help identify unforeseen problems and make suggestions on how to improve operations and avoid regulatory compliance problems.

The growing number of requests from small water system circuit rider assistants are evidence of the growing concern with the protection of the natural environment in rural areas. In turn, these concerns invariably come down to the impact that these pollutants have on the quality of the local water supply. As a result, many of our small water and waste water systems find themselves in the position of becoming actively involved in broader environmental protection issues in order to protect

irreplaceable ground and surface water supplies. In addition, there is a variety of federal legislation and pending regulations on groundwater restriction and, of course, the growing number of requirements under the Safe Drinking Water Act. The increasing complexity of these issues will be the major challenge to small communities and rural water systems in the next decade.

Recommendation:

The most important program for improving the quality of rural water and waste water is the FmHA rural water and waste disposal grant and loan program. There will be very little improvement in rural water systems or in the rural environment without adequate funding to strengthen rural water and sewer systems. The vast majority of these systems do not have the legal authority or capacity to obtain long-term financing and without the FmHA loan program could not build new projects. Other small communities in low-income areas will simply not have safe water and sanitary sewage treatment without the grant program.

We urge the Committee to increase the authorization of the grant program from the present $154 million to $300 million and the loan program from $340 million to $600 million. There are over $800 million in loan requests that are in the field and unprocessed and over $300 million in grant requests. These numbers would be even greater if FmHA District offices did not have to discourage applications because of the lack of existing funding. We are asking for this increase because we believe that the growing demand for improved environmental quality in rural areas from the Environmental Protection Agency and other environmental groups will make this program an increasingly high national priority which will be reflected in the demand for larger appropriations. However, we will not be able to be in a position to receive new appropriations if this Committee does not increase the present authorization. The FmHA grant and loan program is the core program available for small communities to utilize to solve a variety of environmental problems, and an increase in its authorization levels is critical.

Secondly, we urge this Committee to establish circuit rider programs for waste water systems and for groundwater/waste disposal protection. The National Rural Water Association has initiated a demonstration waste water circuit rider program in sixteen states -- including Texas. The demand for help from small waste water systems has far exceeded our predictions. All small sewage systems in Texas and other states are required to be in compliance with the Federal Clean Water Act this year, and there has been little or no on-site technical assistance to help with the compliance. The vast majority of sewage systems that have not met Clean Water Act standards are in rural areas which cannot afford the increased monetary fines and growing regulatory demands that are forthcoming from EPA.

We also request the the Committee consider establishing a solid waste disposal/groundwater protection circuit rider program. Small communities and rural water systems are continuously faced with issues of solid waste dump-siting as well as other community decisions on placement of facilities in aquifer recharge areas. In addition, there are frequent questions asked on the issue of possible pesticide pollution. Having a circuit rider within each state to help small communities resolve their problems and protect drinking water sources would be a major step in protecting the rural environment for future generations.

You have requested that we make recommendations on source funding for these programs. For the waste water and groundwater/solid waste circuit rider programs, the total cost of covering the entire country will be approximately $4 million for each program or a total of $8 million. We believe that the on-site technical assistance provided by those programs will greatly improve the compliance with federal environmental regulations which should greatly reduce the cost of regulation enforcement at EPA. With the new emphasis within the Agricultural Appropriations Subcommittee on environmental concerns we believe that there could be sufficient support for these programs within existing budgets. In addition, it is important that this type of grassroots environmental technical assistance comes from this rural development effort rather than from EPA where the sensitivity to unique rural environmental problems is not as well established.

The funding increase in FmHA grants and loans would be more significant and would require budget shifting under a no-growth budget. There is a growing concern for environmental protection in this country, and there is little or no chance of improving the environment (water, waste water, solid waste) in rural areas without a strong FmHA grant and loan program. Small, low-income communities have always wanted these sanitary facilities, but there has not been enough money to construct them. With some federal assistance new rural water and sewer systems have been and will be built. If new monies are freed up in the federal budget, this program should receive top priority.

There is one note of caution that we would like to inject into your consideration of this legislation. We realize that there is a growing interest by both the Rural Electric Cooperatives and the Federal Farm Credit Bank in helping provide funding for rural water systems. There are provisions in the Senate version of this legislation authorizing the increased participation of these organizations in rural water system assistance. Our Association welcomes all the help we can get to improve rural water systems. However, we strongly believe that the FmHA rural water grant and loan program is the most viable and effective method for stimulating the greatest rural water system development for the funds invested. Rural Electric has always been a partner with rural water systems, but establishing a new federally assisted rural water program with different

rules and financing arrangements could set an unneeded precedent in these tight budget times. Over the past few years, we have worked with Congress to fund the FmHA program not only to have loans and grants available, but also to require small communities and small water systems to use as many of their own resources as possible and to rely on federal help only when absolutely necessary. Any changes in this balance through the creation of new programs should be carefully analyzed. Until this is clarified we would recommend that there be a careful review of any use of federal appropriations to fund programs to assist rural water and sewer systems other than the FmHA rural water grant and loan program.

Thank you for the opportunity to appear before this Committee. We are an eager partner in your efforts to pass stronger and better rural development legislation to help revitalize rural America.

Testimony

Of

James R. Wurts

Administrator

Moore County Hospital District

Dumas, Texas

My name is Jim Wurts and I serve as the administrator of the Moore County Hospital District in Dumas. Our district presently operates a 56 bed acute care hospital, a 60 bed nursing home, an ambulance service, and has involvement with other health care enterprises. We are speaking to the subcommittee from the point of view of a rural health care delivery system that is both serving the health needs of the citizens of our community and remaining financially solvent in the process.

Some of our accomplishments in recent years include the recruitment of several physicians, completing a major renovation of our acute care facility, and developing several new, innovative medical programs. We presently operate an outreach clinic in the nearby community of Sunray. Also, in May of 1988 we opened a 60 bed nursing home which now enjoys 100% occupancy.

In the midst of hospital closures and retrenchments, we have seen over the last 4 years the following increases in activity levels: admissions 25%, surgical procedures 75%, X-ray exams 200%, emergency visits 40%, and births 75%. Our total revenues have doubled and market share has increased nearly 40%. Our operations have been profitable, while assessing the taxpayers of our district a tax rate of 3.5 cents per $100 valuation, among the lowest in the state of Texas.

These accomplishments have occurred as a result of concerted effort and cooperation between the hospital district's governing board, medical staff, and employees. We additionally are blessed to be in a community which both desires and supports superior health care. This support was evidenced when we opened the aforementioned nursing home. A fund drive conducted over a brief 6 week period raised over $150,000 used to furnish the facility.

Additionally, our hospital has survived in this very hostile environment through a program of offering quality services, cost-efficient operations, superior facilities, and access to high technology services. Much of our hospital's success has occurred because our primary service area is comprised of a 20,000 population base. Because of the critical mass of population necessary to support physicians, equipment, and medical services, we feel that in the future, our smaller towns will have difficulty supporting traditional hospitals with a high dependance on acute care inpatient services.

Fundamental changes in medical practice are rapidly diminishing the base of acute care services that have been the foundation of our rural hospitals. Length of hospital stay is quickly decreasing. Over 60% of our surgery is being done on a day surgery basis. The 24 hour obstetric stay is becoming the norm. Due to advances in therapy, illnesses that only a few short years ago required inpatient hospitalization of many weeks duration are being treated on an outpatient basis. Unfortunately, many of our hospitals have not responded to these trends and shifted the emphasis of their services.

While these environmental shifts are occurring, the rural hospitals have suffered with a reimbursement system with profound inequities and unfairness. Rural hospitals are expected to maintain quality services and attract a quality staff while being paid as much as 40% less that their urban counterparts.

We are appreciative of the opportunity to speak before this Subcommittee on Conservation, Credit, and Rural Development because rural healthcare is at the core of economic development activities. The lack of access to health services will contribute more than anything to the demise of our rural communities. It is logical and proven that when hospitals close, physicians flee from small towns. What person wants to live in a town without access to medical care? What industry wants to locate to an area without health services. Another often overlooked fact is that hospitals are in themselves the core economic activity of smaller towns. Often the hospital is the largest employer in a community. The loss of a hospital payroll will effect other businesses in a community. Physicians are small-businessmen whose practices often gross 1/2 million dollars annually, employ several workers, and build or lease real estate. In most small towns, the physicians are involved in the community and provide a great deal of leadership in civic activities. Physician recruitment and retention in rural America must be approached as an economic development activity.

Another economic development aspect of healthcare that must be discussed concerns the special needs of the elderly. We are seeing older residents leave rural towns due to lack of access to health care services. It is sad when an older person has to leave his family and friends because there is not a hospital, physician, or nursing home to meet his needs. We had a situation in Dumas with our nursing home when on its opening some 20 citizens, who were receiving nursing home care in facilities as much as 200 miles away, returned to their home community for care. Speaking of our nursing home, it too represented an outstanding example of health care as economic development, since it generated some 40 new jobs and a one and a half million dollar construction project.

We have some suggestions to the subcommittee on how public policy could foster the concept of healthcare as a form of economic development in rural America.

First,the fine work the rural healthcare caucus is doing to relieve the inequities in reimbursement must go on. At present Medicare reimbursements are not covering the cost of providing beneficiaries care. This situation must be corrected promptly before more hospitals close and rural residents are denied access to care.

Second, we must recognize that even if reimbursement is enhanced, inherent changes in medical practice will hasten the demise of some of our hospitals in communities with a very small population. Public policy needs to encourage the development of alternative

roles for these facilities in the areas of ambulatory, emergency, and long-term care. Our licensure and reimbursement standards need to be modified to accommodate such units as the Medical Assistance Facility now being developed in the state of Montana. If appropriate, a grant system should be funded to encourage the conversion of some of our underutilized acute care hospitals into such facilities.

Third, long term care could be the salvation of some of our smaller hospitals while at the same time responding to important patient and community needs. Public policy should too encourage the development of rural nursing homes and the operation of combined hospital/nursing home facilities. Special funding should also be developed for assisted or congregate living facilities in smaller towns. It is important that we give our older citizens the availability of resources to allow them to continue to reside in their home communities.

Fourth, we can't have rural communities without physicians. Physicians residing in rural communities should be given special tax incentives. Economic development block grants should be provided for start-up of physician practices. Funding of medical education programs should give special preference to those programs with a proven record of producing graduates that practice in our smaller towns.

Finally, a networking approach to rural healthcare development should be encouraged. A mechanism should exist to share successes and information on how to make rural healthcare work. The Commerce office should be given the task of operating a rural healthcare resource center to provide information to communities that are seeking to development facilities or programs in the health area.

METHODIST HOSPITAL

RURAL HEALTH CARE DIRECTIONS

It comes as no surprise to anyone in this room that rural hospitals, and indeed the entire rural health care delivery system, are facing a crisis for survival. This crisis has been brewing since the Medicare Prospective Payment System began in 1984. It does no good however, to assess blame for the ailing rural hospitals. The introduction of DRGs, declining admissions, reduced length of stays, rural population flights, and the downturned agricultural and petroleum-based economies all played parts in bringing this problem to the forefront.

The rural health care delivery system has proven stronger than most suspected. Since 1984 rural hospitals and physicians have struggled to stay open and serve their communities. Many have closed, but most have managed to keep going in spite of this adversity. Unfortunately, the evidence is mounting that those hospitals that have thus far managed to survive are finding it next to impossible to keep going. Last month South Plains Hospital-Clinic in Amherst, Texas closed its doors when low utilization and doctor flight made it impossible to stay open. More and more rural hospitals will close and their doctors leave for urban practices unless steps are taken by the federal government to alter the course of current rural health care policy.

Many ideas have been circulating for several years as ways to make the system more equitable for rural providers. These ideas include the following:

The federal government must alleviate the inherent unfairness in the Medicare Prospective Payment System. Rural reimbursement rates are based on dollar amounts that are often times too low to cover the cost of care. Medicare and Medicaid are simply not paying their share of treating their beneficiaries. The facilities, their non-Medicare/Medicaid patients, and the local taxpayers must make up the difference. In the long term this will serve to deny access to care as the difference between cost and reimbursement becomes too much for the rural facilities and communities to bear. Access to care is a quality of care issue that must be addressed by HCFA and Congress. To insure access to quality care, rural hospitals and physicians must be paid their actual cost of care.

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The federal government must provide recruitment and retention strategies for rural physicians. Again, there is an inherent unfairness with Medicare payments to rural physicians. Medicare Part B profiles must be increased to remunerate rural physicians at rates comparable to their urban counterparts. These low payments serve as strong disincentives for new physicians seeking rural practice sites. It is difficult enough to recruit physicians to rural communities because of perceived professional and social isolation and an unattractive rural livestyle. Increasing Part B profiles could go a long way towards improving the maldistribution of primary and specialty physicians in rural areas. Other recruitment incentives should also be provided to encourage physicians to choose rural practice locations. These could include clarifying and expanding the "safe harbors" of the IRS and Medicaid fraud and abuse regulations, which would more easily allow financial incentives to be given to newly established rural physicians. The federal government must do everything it can to recruit and retain practicing rural physicians.

As the rural health care delivery system develops under the tremendous reimbursement and utilization changes of the 1980's and 1990's, there must be a willingness to explore, fund, and implement new concepts in health care delivery. Acute inpatient care is declining, yet outpatient and other less traditional forms of care are increasing in utilization. New roles for rural hospitals, which supplement or replace their traditional inpatient acute care functions, must be developed. Rural communities, with or without hospitals, must seek ways to cooperate with neighboring communities and tertiary care hospitals to reduce duplication of services and assure access to a full spectrum of care for their community members. Incentives to develop concepts like the ESSENTIAL ACCESS COMMUNITY HOSPITAL and MEDICAL ASSISTANCE FACILITIES, now being developed in Montana, should continue to be pursued. Funding should be provided to develop systems and health care networks to coordinate and economically distribute these services.

Lastly, the federal government must make a commitment to the rural communities that access to care will not be an abandoned priority. Rural communities must know that the federal government does not define access to care as a two hour ride by private car to a secondary care facility in a town one hundred miles away. This would require an equal commitment to insure that the rural hospitals that truly serve the needs of the community will remain open. The challenge of delivering health care in rural areas is upon us all. The health of rural America is dependent on us meeting this challenge.

Presented by Michael Denis, Senior Vice President, Lubbock Methodist Hospital System, 8/9/89.

JOE L. LOWRY, M.D.
CORONADO HOSPITAL
ONE MEDICAL PLAZA
PAMPA, TEXAS 79065

I am Dr. Joe L. Lowry from Pampa, Texas. I was born and raised in a town of 1,200 people in central Oklahoma. I grew up on a farm. There was one Doctor and no hospital. I have been in the private practice of Pathology for 13 years. For the last 5 years I have been in Pampa and am their only Pathologist. I am a member of the Texas Medical Association and have served on their rural health committee for the past 2 years. In Pampa, I have been President of the Country Medical Society, Chief of staff of Coronado Hospital and am currently Chief of Surgery.

With this background, I feel comfortable in discussing rural medicine and its connection with rural development. I visualize rural economic development as resting on a platform with 3 legs. The first leg is local government, which must create the climate for development. The second leg is the local educational system. Every worker, management or president wants a quality education for their children. The third and final leg is medical care. I feel that it is almost useless to talk about economic development without discussing rural medicine. I would ask any woman who has been pregnant if she would like to move to a community with no Doctor, no hospital and maybe no midwife. Many communities here in the Panhandle are in that position. If the current policies of the HCFA and the proposed legislation passes others will soon follow.

First let me speak to the current HCFA policy of giving rural hospitals 40% less (on the average) per DRG than urban hospitals. The only thing that is significantly different in a rural setting is land cost and that is sometimes the same. At the present time, there is a bidding war with urban hospitals for medical personal (nurses, lab techs, X-ray techs, etc.). This alone will guarantee the rural medical expenses will continue to spiral.

About 3 years ago I was at a PRO (Peer Review Organization) meeting and one official stated that HCFA had a target to 100 rural hospital to close in Texas. The implication was that they had a better way. At another PRO meeting another official stated "we do not care if patients have to drive 50-100 miles to get medical care". Former Congressman Beau Bolter's staff explained their solution to me. It would consist of a single regional medical center for the whole top of the Panhandle. It would be located in Amarillo and patients would drive or be flown to the center. There would be some sort of "clinic" in the other communities that would provide local minor treatment, basic life support for stabilization and some form of continuing care on an outpatient basis. There are several things wrong with this model. First, can you imagine some 70-80 year old patients driving 100-200 miles to set in a clinic all day to be seen by a Doctor. The death rate from car wrecks alone would be staggering. Of course, I hear there are some people in government that would look upon this as a blessing, since every time a person dies without treatment the budget looks better. But of even greater importance is who are they going to get to man these "clinics"? I will speak of the problem of recruiting Doctors in a moment, but first let's just look at nurses. If it has not been stated before, there is a very real nursing shortage in the U.S. This is almost a crisis. It will not go away soon.

Why? The top salary of a Head Nurse now is about $30,000. The starting salaries for people with a Bachelor's Degree in business is $20-25,000. A MBA will get $30,000 or more. If that same person goes to medical school or law school, it is $70-100,000. Approximately 1/3 of medical school graduates today are women. These are only a part of the women that would have been nurses 25-30 years ago. Let me make it abundantly clear that we will <u>not</u> have an increase in nurses until their salaries become competitive. It just will not happen. The same can be said for lab techs, physical therapists and other medical personnel. I have heard a lot of talk about Nurse Practioners, we cannot even get regular RN's much less an NP. I do not think they exist west of Washington.

However, back to rural hospitals. One of the standard explanations of why so many have closed is that there has been poor management. This reminds me of a story about a small town J.P. who was the coroner. It seems that the town had a bully that everybody hated. One day, the bully was found dead with a rope around his neck. The J.P. (knowing that probably one of his neighbors had strangled him) took one look at the body and said "the cause of death is shortness of breath". That was the truth, just not the whole truth. Rural hospitals have a rope around their necks (getting paid 40% less per case). Yes, poor management may be part of the truth, just not the whole truth. Administrators from large hospitals cannot perform that kind of magic. St. Anthony's Hospital, here in Amarillo, just gave up management of a rural hospital because they could not make ends meet. I don't think they would take too kindly to the idea that it was poor management. It is going to cost more money to keep any kind of medical facility open, be it in the rural areas or in the large city.

In the last month, 2 government funded clinics in the Panhandle have closed because of lack of funds. In Dallas, 6 city clinics closed because they could not get nurses at the salaries they had budgeted. If these types of clinics are what HCFA had in mind for caring for our Panhandle people, then they have made a very poor showing by letting the Vega and Fritch clinics close. However, there are still several community hospitals in the Panhandle that are trying to serve the people, they just need more money. If they don't get it soon, there may not be any type of medical facility between here and Oklahoma City.

My second topic is about the proposed expenditure targets for physicians (ET's for short). Under that proposal, there would again be an unreal split between rural and urban Doctors. The rural Doctors would get what they get now, which is less than the urban Doctors. As I understand it, the amount of money available for each area would be increased by the percent of inflation minus 1/2%. If the targets were exceeded, then the percentage would be reduced or eliminated.

One of the many problems with this idea is that we already know that there is a medical personnel shortage. This is guaranteed to drive up expenses faster than inflation. We cannot get Doctors to come to rural areas now because they work more hours and get less money. You say "Well we need more charitable Doctors". There are 2 things wrong with that line of thinking. First, Doctors are fairly charitable already; however, their spouses tend to be far less charitable. In fact, the spouse has the deciding vote in that situation in about 90% of the cases. You say "Why don't we recruit differently?" Now you are talking about medical missionaries. That brings me to another point. Entering college freshmen at major universities are given a standardized questionnaire. Among the questions asked is "Why do you want to go to college?". By far the most common answer is to get a better job and more money. The pool for selecting medical students will not change any time soon. If ET's are passed, the rural Doctor will be in deep trouble since more of his patients are medicare and medicaid. We had a Doctor in Pampa about 4 years ago that decided he would accept all medicaid's and take assignment on all medicare's. In less than a year he went broke. The point is, that Doctors will only be attracted to rural areas if they are making at least as much if not more than urban Doctors.

Since the government is trying to decrease the amount of money it spends on medicine, what are the alternatives. First you must arrive at the conclusion that medicare has to be changed. Second, that there is not magic formula that will tell us how much a nation or even a person should spend on medical care. Third, no nation, company or group can afford free or relatively free medical care.

About changing medicare, the AMA has studied this problem and has three recommendations:

1. Medicare could be used to beef up medicaid and given only to those who need it. This would require a means test. This has not been a popular idea.

2. A voucher system could be used to give ever recipient a minimum basic coverage. Then if a person wanted to explain that coverage he could.

3. The age 65 was picked to start social security coverage because in the 30's that about the average life span. That same idea should be brought back into the picture to increase the age when benefits start. This is especially true since more people are working past the age of 65.

I have mentioned these points briefly because a much fuller discussion can be given by the AMA office in Washington. Again let me state that any economic development in the rural areas must depend in part upon a healthy medical system. It is going to take more of the pie to do this.

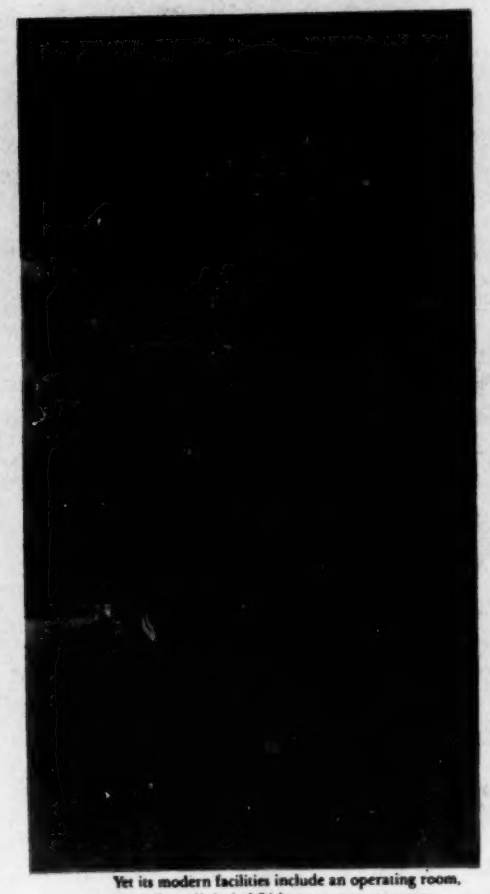
(Attachment follows:)

Smith

Comfrey Hospital, in this quiet Minnesota town of 500, is the state's smallest—it has only eight beds.

By Richard J. Margolis

In America's small-town hospitals, a patient isn't 'just a number'



Yet its modern facilities include an operating room, outpatient clinic and 24-hour emergency room.

Rural America's local hospitals are facing an economic crisis, but their existence is often what keeps the communities alive

It happened one August night without warning, while our family was vacationing on an island off the coast of Maine. One moment Philip, our 12-year-old, was on a porch rocker joking with us; the next he was on the bare floor writhing in pain.

In a panic I carried Phil to his bed—he couldn't walk—while my wife, Diane, ran to get Alex, a Boston internist who happened to be summering at the cottage next door. "Torsion of the right spermatic cord," Alex pronounced, gazing down on our stricken son. Somehow a vital connection in Phil's groin had gotten twisted. The warp was choking off his blood supply.

"I've only read about such cases," Alex confessed. "Never actually saw one before."

Very tentatively he reached down and touched the tender area. Phil jerked and let out a howl. "Sorry," Alex muttered. He took Diane and me aside. "I think we better get your boy to St. Andrews right away. For something like this you don't want to wait too long."

St. Andrews Hospital lay an hour across the water in the little town of Boothbay Harbor. Could people who worked in such an out-of-the-way place be expected to possess the skills our son so urgently needed? We had our doubts, but there was no time to speculate. With another neighbor's help, we managed to get Phil down to the dock and onto a borrowed boat equipped with an outboard motor. In smooth, dark water we sped off, following a streak of moonlight that seemed headed toward Mill Cove and the hospital dock. Not another soul was on the bay.

"Maybe I can unravel this thing for you"

Alex had telephoned ahead. A nurse with a wheelchair and a blanket awaited us at the pier. Within minutes Phil was lying on a bed in the emergency room and being examined by a man who introduced himself as Dr. Gregory, a large man with lots of gray hair and a reassuring voice. "Let's see what we have here," he said to Phil. We held our breath and watched as the doctor's long fingers searched for the offending knot. Phil's body stiffened but he made no sound. "Just relax," Dr. Gregory murmured. "Maybe I can unravel this thing for you."

Between his thumb and middle finger the doctor was delicately kneading the invisible rope. Suddenly Phil's muscles went slack; he emitted a deep sigh. So did we—for it was plain that Dr. Gregory's educated fingers had untwisted the cord.

He patted Phil on the shoulder and stood up. "We'll want to keep you here overnight," he said, "just in case that thing decides to get troublesome again. You don't mind spending the night with us, do you?"

"Nope," Phil said. And for the first time in five hours, he smiled.

Photographs by Gail Mooney

Rural hospitals, where looks can heal

Dr. John Hahn delivers twins by C-section at Grant Memorial Hospital, in the mountains of West Virginia.

All of the above occurred 19 years ago. Through the intervening years, until very recently, I held to the idea that our family's luck that scary night had been extraordinary, that in St. Andrews we'd happened upon a rare rural gem. Now I think otherwise. One of the many things I have learned from a recent round of visits to rural hospitals in several states (including an eye-opening return to Boothbay Harbor) is that our good fortune was just a routine entry in the annals of small-town medicine.

The knowledge has taken some getting used to. We live in a city that boasts two major hospitals, one with 491 licensed beds, the other with 875. Each in its way typifies the sort of high-powered, university-affiliated complex that most city dwellers equate with first-rate health care. By contrast, an urbanite's mental picture of a rural hospital is likely to resemble a faded turn-of-the-century etching, featuring ornate Victorian architecture, generally shabby upholstery and hopelessly primitive equipment.

Such hospitals did in fact once dot the rural landscape. Writing a half-century ago, here is how Arthur E. Hertzler, a Kansas country physician, reminisced about those early institutions in his autobiography, *The Horse and Buggy Doctor*. In his youth, Hertzler recalled, the typical small-town hospital was "in a private residence. . . . Sometimes the doctor and his family lived downstairs and the wife did the cooking. . . .

"Usually half a dozen or fewer hospital beds found available space in these houses. The operating room was usually the bedroom of the former cook. . . . The kitchen stove usually supplied the heat for the sterilization of the instruments and dressings. This made it necessary for the doctor to eat an early breakfast, so that the stove could be available as a sterilizer when it came time to prepare for the operation. Operating in such hospitals was but slightly removed from the kitchen surgery of any private residence. . . .

"It is enough to make one weep," Hertzler mourned, "to think back on those early beginnings."

Urban medical centers in miniature

These days the good doctor would not have to weep. The hospitals I visited were indeed small in comparison with their big-city cousins—they ranged downward from 75 beds to a mere 8—yet they gleamed with modernity. In most instances my first impression was that of an urban medical center in miniature. Even the most Lilliputian of them all—the one in Comfrey, Minnesota, with its eight beds—boasted an outpatient clinic, operating and recovery rooms, a blood bank, a pharmacy, a 24-hour emergency room, delivery and nursery facilities with two bassinets, and social services. Many maintained intensive care rooms equipped with

monitors that could flash the jagged trajectory of a patient's heartbeat.

But rural hospitals do not compete with their urban counterparts—at least not in cases requiring the more exotic skills and technologies. "Don't come here if you need open-heart surgery or a kidney transplant," says Dr. Matthew J. Rimas, Comfrey Hospital's only full-time physician. "But for most illnesses you can get as good medical care here as you can anywhere." (Like many small hospitals, Comfrey has access to a helicopter for emergency transport of patients whose ailments defy the hospital's healing powers.)

Even as I sketch this picture, however, I have an uneasy sense of having left out its most remarkable feature. Call it one-on-one graciousness; call it sympathy; call it, for lack of a better pun, small-town hospitality. Whatever the label, it is a force that operates at the very center of most rural hospitals in America. Yet it is so universally taken for granted, that hardly any of the scores of doctors and nurses I talked with seemed conscious of its presence.

"Do you do anything special for bereaved families?" I asked a nurse at Grant Memorial Hospital, a 59-bed facility tucked into the mountains surrounding Petersburg, West Virginia.

The nurse, a veteran of many years' service, gave the question considerable thought. "No," she finally answered. "I don't recall our ever doing anything out of the ordinary for the bereaved. Oh, sure, we cry with them and we sing with them and we pray with them. But no, nothing you could call special."

Pies from scratch, real mashed potatoes

A rural hospital, then, may be a place where nothing "special" ever happens. Where no one is a number; where everyone knows your name, tolerates your quirks and shares your griefs; where the nurses celebrate your birthday. Where, when you telephone to say you feel sick and wish to be admitted, they turn down your bed and have the florist deliver a half-dozen pink carnations to your room. Where visiting hours do not matter even if they are posted—relatives and friends come and go as they please; where a turned-on light over your door instantly brings a nurse to your bedside. Where the kitchen staff makes bread and pies from scratch, and *real* mashed potatoes, and if you don't like the evening menu, someone will run to the corner and bring you a pizza with mushrooms and onions—and no anchovies. Where your tattered pajamas may be mysteriously replaced one evening by a brand-new pair, with the price tag removed. ("For what us nurses make around here," one of them at Grant Memorial marveled, "we sure are free with our money.")

Such everyday dispensations are all duly recorded in my notebooks. They have become part of my education. From them I conclude that small-town hospitals draw energy from secrets all their own: within the national health care system, they emerge as unique institutions where the curing and the caring are one and indivisible.

At Grant Memorial I was introduced to a patient whose lengthy sojourn there—not yet over—perfectly illustrates the bond between caring and curing. The patient's name is Shane. He is a dimpled, brown-eyed infant born about three months prematurely on January 14, 1988, at West Virginia University Medical Center in Morgantown.

Shane had two and a half strikes against him. Within weeks after birth he went into heart failure and barely

Student nurse Becky Calhoun comforts a sick baby at Grant Memorial, where she helps out in summer.

At Grant Memorial, the pulse of activities (shown in the photographs on these pages) includes a hectic change of shifts, as day nurses take over from the night staff. One doctor says of the nurses, "We need the tops in the class. We have to rely on them to be able to do anything—because we are all alone out here."

A physical therapist, Tammy Evans works with a stroke patient to help him recover some movement. The hospital maintains a full-time physical therapy department and a fully stocked pharmacy. Many patients must come 60 miles on bad mountain roads. But, as one doctor points out, "Where else would they go?"

survived. Among other things, he was suffering from a malady doctors have dubbed "stiff lung"—the technical term is bronchopulmonary dysplasia—meaning that his lungs were unable to absorb oxygen. There is no known cure.

For five months the doctors and nurses in Morgantown kept Shane alive. They gave him oxygen through tubes in his nose; they fed him nourishment through tubes to his stomach. Then, with little hope for Shane's future, they sent him to Moorefield, where his 18-year-old mother worked in a chicken-processing plant.

Shane still required around-the-clock medical care. He ended up in Grant Memorial. "You should have seen him when we got him," says Linda Davis, director of nursing there. "It was pathetic. He just lay in his little crib without moving or making a sound. A baby at 6 months is supposed to laugh and cry, but Shane couldn't do either. Absolutely no facial expression: he didn't smile, he didn't frown. Then we discovered he couldn't suck very well, which meant we needed to feed him very often and in very small amounts. Believe me, Shane was one sad baby."

What happened next seemed entirely spontaneous and unrehearsed. "We sort of adopted him," Davis recalls. "We treated Shane like our own." The nurses gave him toys to play with; they clothed him in new, colorful nightgowns, they kept talking to him, cooing over him, picking him up and carrying him around.

As Cathy Crites, another nurse at the hospital, notes with severe approval, "That baby was spoiled rotten.

Richard J. Margolis is a freelance writer concerned about rural America. He wrote on volunteer fire departments in the November 1983 Smithsonian.

Dr. L. R. Littleton reads x rays on visit to the hospital. He is licensed in 12 states and travels to small rural hospitals to render services as a radiologist wherever needed. A pathologist also comes to Grant Memorial regularly and technicians stay in touch with his laboratory by telephone.

Cathy Crites, R.N., inserts an intravenous tube into a 6-month-old baby, as Nurse Pat Shoemaker assists. Asked why she wears cap, Crites says, "In school we were taught to wear clean white shoes, white hose and a pressed, clean white uniform—and your *hat*. I worked really hard for this hat and I am proud of it."

When we had to do our charting at the desk, we took Shane with us and let him sit on our laps while we wrote out our reports. I don't think we hardly ever set him down."

In time Shane began to respond to all the attention. He learned how to laugh and cry. His new talents only increased the pampering. "Whenever he cried," says Crites, "one of us would pick him up right away. We were in terror he'd choke to death. Of course he caught on right away and he cried all the time. It was a kind of blackmail."

Shane also learned how to eat from a spoon, but only when the spoon was proffered by one of the full-time nurses familiar to him. "The part-timers never had much luck feeding him," Crites says. "But when one of us full-timers offers the spoon—Wow!"

On Shane's first birthday there was plenty to celebrate. He was six times his birth weight—he now weighed slightly more than 14 pounds—and most days he was able to breathe without benefit of oxygen tubes. At his birthday party, says Mary Beth Barr, the assistant director of nursing, "Shane giggled and ate cake with a spoon. We were so proud of him. He's such a *good boy*."

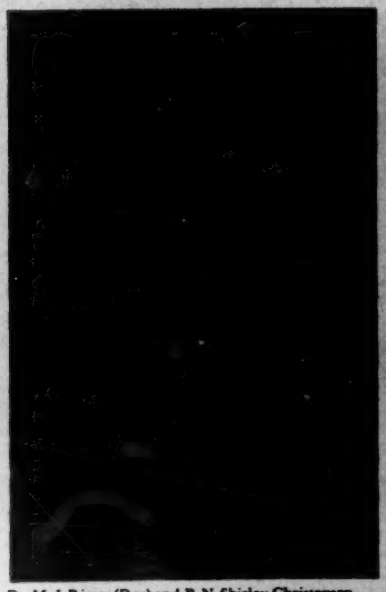
I had set out to learn about small hospitals because I had heard they were an endangered species. I wanted to see what we as a nation stood to lose if we allowed these modest facilities, largely hidden from metropolitan eyes, to vanish. From a rural perspective, of course, such a loss would be catastrophic, not only in terms of the local residents' health (and the local economy) but also in terms of their pooled pride. For there is something about a small-town hospital that can inspire an altogether refreshing awareness of civic consequence. As a housewife who has lived all her life in Indepen-

Text continues on page 60

Rhythm of small-town life is apparent in the daily routine at Comfrey Hospital, as pictured in this series. The eight beds in this otherwise modern facility are still raised and lowered by hand crank. Here, Nurse Elaine Tindeland adjusts one carefully for a patient.

"We make everything from scratch here," says Bernetta Helget, who sets out her "delicious cookies" to cool.

Signe Quarnstrom donates 30 hand-sewn quilts to the hospital, as lap robes, in memory of her husband.



Dr. M. J. Rimas (Doc) and R.N. Shirley Christensen check patient, their expressions as healing as medicine.

Doc Rimas lifts 5-week-old Rachel, whose grandmother is a nurse here. Many of Doc's patients are friends.

A native Comfrey resident, Jerry Savage gets a shave and TLC from Nurse Elaine Tindeland. The nurses work long, hard hours, often staying into the next shift to help out. This day, when extra patient was admitted, a nurse said "Give her my dinner. I'll have some soup."

Comfrey nurse Diane Witt meets patient Leo Hoffman. Hospital has an outpatient clinic and provides social services as well. Following his visit, Hoffman remarked, "This is my home. These people are my family. If this hospital goes, next will be the school, then the town."

dence, Iowa (pop. 6,150), reminded me, "It's simply a matter of our self-respect. A town that loses its hospital has one less thing to be proud of."

Many small communities nowadays are having to face the indignities of subtraction. Of the 2,599 rural hospitals still extant—most with fewer than 100 beds—quite a few are verging on bankruptcy and each year some 40 are going belly-up. A study published recently by the U.S. Senate Special Committee on Aging predicts that over the next few years as many as 600 more will have to close their doors (80 in Texas alone).

Nobody knows for sure how to diagnose this disorder, much less what remedies to prescribe. While depressed rural economies are often a factor, the villain rural partisans most frequently single out, surprisingly, is none other than Medicare, the federal health insurance program for the elderly. In part, that is because Medicare reimburses rural hospitals at a substantially lower rate than it does urban hospitals. The difference has amounted to about 20 percent, and can go as high as 50 percent in some hospitals. In addition, Medicare's system of payments inadvertently penalizes small-town hospitality.

In the past, Medicare and hospitals had maintained a kind of gentleman's agreement whereby hospitals were trusted not to levy unreasonable charges for elderly-patient care. It was Medicare's custom to pay hospitals whatever amounts they requested, with little scrutiny. However, this blank-check approach to doing business probably encouraged considerable hospital inefficiency and avarice, in about equal parts.

Congress changed all that in 1983. Nowadays, instead of presenting a blank check, Medicare hazards a prediction of how long each patient is likely to be hospitalized, and then bases its payment strictly on that forecast. The new system may have saved taxpayers some dollars, but it has posed cruel dilemmas where patients require lengthier hospital stays than Medicare is prepared to compensate.

Such cases can be costly, which is why city hospitals rarely hesitate to discharge a patient who is no longer covered by Medicare. Quite a few rural hospitals, on the other hand, prefer to keep the patient and damn the expense.

The Henryetta Medical Center, a 52-bed facility in Henryetta, Oklahoma (pop. 6,290), is one of those. About three-fourths of its patients are insured by Medicare. In a three-month period, says James L. Clough, the former administrator there, "we lost nearly $80,000 on just six patients." Clough has meticulously described one of the six cases in a letter to Representative Mike Synar of Oklahoma.

An 80-year-old man dying of cancer was admitted to the hospital. His legs were paralyzed; he was in severe pain and required a morphine injection every four hours. As Clough tells it, "Attempts were made by the hospital and physician to place the patient in a skilled nursing facility located in Tulsa [47 miles away], but there were no beds available." The possibility of home care, with nursing visits, was also discussed. But it turned out that the man's wife couldn't provide, by herself, the care he needed throughout the day.

Volunteer Evelyn Shobe, retired Petersburg beautician, visits monthly to do patients' hair, charging nothing.

Finally, Clough continues, "it was decided that the patient would have to stay at the hospital." He died there 68 days later. The hospital sent Medicare a bill for $26,660. Medicare sent back a check for $2,477 and marked it "Paid in Full."

Medicare rules aside, the simple dictates of neighborliness can play havoc with a small-town hospital's tight budget. In many such communities it is taken for granted that the poor no less than the affluent are entitled to medical care. To rewrite Robert Frost's famous dictum about home, a rural hospital is a place where, when you have to go there, they have to take you in. That is why village hospitals tend to donate more than their share of what health care commentators like to call "unreimbursed services."

At Grant Memorial I met an 88-year-old patient—the nurses called her "Miss Judy"—who had been there 48 days following gall bladder surgery. So far she'd run up a bill of more than $55,000, while Medicare's 15-day limit called for reimbursement of only $9,742. "She's got a daughter who works," explained Linda Davis. "How can we send her home when there's nobody to take care of her?"

A sign in the lobby of Grant Memorial tells the story: "Payment is expected when services are rendered unless other arrangements have been made in advance." In a region famous for poverty, those "other arrangements" can be costly to the hospital. "We don't turn anybody away," says Robert L. Harman, Grant Memorial's friendly, low-key administrator. "One way or another, we'll cover it."

Dr. John L. Hahn, the hospital's only obstetrician, told me that he delivers about 300 babies a year, and two-thirds of his patients are on Medicaid, the combined federal and state health insurance program for poor people. But Medicaid pays only about a third of Hahn's actual bill. "When somebody's down and out," he said, "I don't go after the rest of the money. I know what it's like to be poor." Then he added with a smile, "Don't advertise that."

"We did it because it was right"

People's Memorial Hospital in Independence, Iowa (20 miles east of Waterloo), nicely exemplifies this form of economic hospitality, so different from what patients experience in city hospitals. "When the farm crisis hit us a few years ago," recalls Robert J. Richard, the hospital's administrator, "we tried to make things easier for the families who were hurting most. Lots of them had no health insurance—the farmers could no longer afford it, and quite a few of the workers in plants around here got laid off, so they were unprotected, too. We made it a point to accept every patient who needed care. It cost us a bundle, maybe a quarter of a million dollars, but that was OK. We did it because it was right. We're very much a part of this farm community. Our social mission is paramount."

But, perhaps because this was Iowa, some proud patients inevitably objected to the hospital's generosity. "I don't mean to be disrespectful," an impoverished farmhand, the father of three small children, wrote to Richard after the hospital had written off a $380 charge for his daughter's stay there, "but I just can't understand how you could do what you did to me. I intend to pay you back every cent." And he did.

Administrators and board members who have been entrusted with the fate of their town's only hospital can be understandably pessimistic these days. In a recent national survey of hospital administrators taken by the accounting firm of Touche Ross, 48 percent of those heading small hospitals thought their institutions would fail in the next five years. On the other hand, hope in rural America really does spring eternal—the citizens there have no choice—and where there is hope, there may also be energy and imagination.

Consider the case of the Central Valley Medical Center, a 50-bed hospital in Nephi, Utah. The dietitian there, along with her kitchen staff, had to be on hand even when there were only two or three patients to feed. So the hospital administrator, Mark Stoddard, put them to work baking birthday and wedding cakes (from scratch, of course), not to mention Christmas cookies and Valentine cupcakes, and selling them to local customers. The profits, about $3,000 a year, help to defray the hospital's food bill.

"We're trying to do everything we can to make ends meet," Stoddard says. To cut down on expenses, Nephi (pronounced "knee-fi") has taken a step that many independent-minded rural hospitals nowadays find distasteful but necessary. It has teamed up administratively with the hospital in Gunnison, 41 miles down the road. The two institutions buy supplies together, rely on some of the same specialists and use some of the same mobile equipment. Stoddard administers both.

Comfrey Hospital in southwestern Minnesota, which serves a farm community of some 1,800 people, has taken a similar step. The state's smallest hospital, it has joined with four others in the area to form a portion of Health Network of Minnesota, a coalition of hospitals in and around the southwestern part of the state. But in Comfrey's case the collaborative spirit may be turning sour.

"We're the underdog," says Gary Richter, the young editor-publisher of the *Comfrey Times*, "but we're going to fight the odds." The odds, according to an areawide study conducted by a Denver consulting firm, are not favorable. "There needs to be a reduction in the number of inpatient beds," the consultants concluded. They singled out Comfrey and nearby Mountain Lake as prime subtraction prospects.

But as Richter says, reflecting the peculiar cussedness of rural logic, "Those are just facts. You don't necessarily have to go with them."

A few days after the Denver report was made public, the townspeople decided not to go with the facts. At an emergency meeting, nearly everyone expressed an interest in "keeping the Comfrey Hospital going"; more surprising, a majority of residents favored the levying of a special hospital tax.

Rural Americans are not generally known for their spendthrift ways. When a group of small-town citizens eagerly volunteers to pay more taxes, they are sending a singular message about their beleaguered hospital: from where they sit, it is indispensable.

I learned more about the fierce local loyalties a hospital can engender when I returned to St. Andrews in Boothbay Harbor, Maine, thereby completing my rural round robin. Much had happened since our fortuitous visit 19 years ago. The old building, where Dr. Gregory had so deftly unraveled our son's distress, had become a 30-bed nursing home. Attached to it was a new, 22-bed acute care wing, built at a cost of $2.3 million and opened in August 1987.

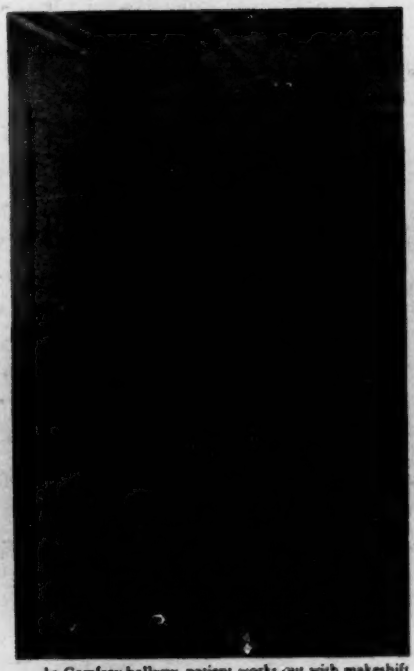
At Grant Memorial, Nurse Cathy Crites takes a moment to hug one of her patients. And they love her, too.

A hospital with familiar rural ailments

At first glance, all seemed well at St. Andrews. A second look, however, tended to darken the rosy picture. A few years back, I was told, the hospital began to be troubled by some familiar rural ailments. Its occupancy rate dropped to 28 percent. At one point the pinch was so bad that St. Andrews' staff, ever the cheerful givers, had consented to accepting a 20-percent cut in their pay.

Each year brought with it another discouraging deficit, and St. Andrews was driven to the very brink of ceding its cherished independence to a slightly larger hospital (27 beds) in Damariscotta, a town on the next peninsula, some 20 miles to the north.

But the merger plan was scuttled by aroused townspeople, and the harbor air has been calmer and



In Comfrey hallway, patient works out with makeshift weight-and-pulley system, installed especially for him.

brighter ever since. Contributions from the residents, including a fair proportion of affluent summer people, had covered the new construction costs, so the hospital was free of debt. Last year, moreover, its 14-member unsalaried board of trustees had taken steps to firm up the hospital's administrative arrangements. They had signed a managerial contract with the Hospital Corporation of America, an international chain that owned 79 hospitals and managed 225 more. St. Andrews is doing better this year; it has recruited several more doctors to its ranks; and its occupancy rate has risen a notch. One trustee remarked recently, "For the crisis we went through, we're coming out of it not too badly."

I had been hoping on this visit to shake the talented hand of Dr. Gregory and to thank him once more for his ministrations to our son that strange summer night long ago. But I was told that Dr. Philip O. Gregory had died in 1983 at the age of 73. He was the son of St. Andrews' founder, Dr. George Gregory, a Nova Scotian who had migrated south in search of a viable practice. "Dr. George" opened St. Andrews on August 1, 1908, naming it for the patron saint of commercial fishermen. Large oil portraits of both father and son gaze down on the hospital's main corridor.

I spent the night at St. Andrews, not certain what I was waiting for. Nothing spectacular occurred—there were no emergencies—but in a small-town hospital, every night produces its own kind of quiet drama. Call it a theater of compassion.

The night's protagonist was Marilyn, a gaunt, middle-aged woman who had recently been operated on for gallstones. It was her third operation in ten months, so the nurses were not surprised when Marilyn started to hallucinate. "It's the anesthetic," explained Irene Fowle, one of the evening nurses. "It can cause a chemical imbalance. You have to take her seriously. She's really scared."

"An Indian" under Marilyn's bed

First Marilyn complained that the corridor was full of water, and the water was rising. "I can't swim," she confided to a nurse. Later she called for help because she had discovered "an Indian" under her bed. "What does he want with *me*?" she wanted to know.

As it happened, all beds were occupied that night and the nurses were kept busy. But to Marilyn they betrayed no sign of impatience. They answered her calls instantly, comforting her as best they could and pretending to look beneath her bed for hidden marauders.

When all else failed, a nurse's aide named Krista Greenleaf helped Marilyn don leather slippers and a flowered robe, and then walked her up and down the corridor, cooing to her as sweetly and soothingly as the

nurses in Petersburg had cooed to Shane. Eventually they made her comfortable at the nurses' station, tucking her into an enormous leather chair, with two pillows behind her head and a woolen blanket draped over her wispy figure. She sat there much of the night, scowling at me and the nurses. With her hair done in braids and her feet dangling several inches above the floor, she looked like a gray-haired child. "I'm frightened to death," she said to no one in particular. "I don't want to stay here and have everyone get hurt."

Krista Greenleaf spoon-fed Marilyn some medicine and hot tea from a plastic cup. "Hush," she said. "You stay right here with us. We need the company."

In the morning I had an appointment with Peggy Pinkham, the hospital's community relations director. "Would you like to see your son's records?" I was asked. The question surprised me. "Do you keep those things?" I asked in return.

Within minutes I was handed a stapled sheaf of papers. At the top of the first sheet someone had typed: "Name: Margolis, Master Philip E. Age: 12. Admitted: 8-29-70. Discharged: 8-30-70. Admission Diagnosis: Torsion (twisted) spermatic cord on the right."

Fascinated, I began turning pages. There were laboratory blood tests, temperature readings, blood pressure readings, three separate pulse notations and a comment on Phil's respiration ("normal"). At 10:15 that night Phil had "taken well" some soup, a sandwich and a glass of milk. About an hour later he "appeared to be sleeping." At midnight he was still "sleeping quietly." At 8 the next morning he seemed just fine. "Asymptomatic," someone had written on the chart. "No swelling."

What came over me as I read those precisely scribbled notations was a good deal of ex post facto gratitude. While Diane and I had slept in our vacation-cottage bed, there had been people three miles across the bay keeping wide awake. All night they paid strict attention to our son's health and comfort. It seemed to me he had been in the best of hands.

Partially paralyzed by an accident, a patient is given physical therapy for his hand by a visiting practitioner. "For most illnesses," avows Doc Rimas, "you can get as good medical care here as you can anywhere."

August 4, 1989

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Conservation, Credit
and Rural Development
Room 1301 Longworth House Office Bldg.
Washington, D.C. 20515

Many of our rural areas in Oklahoma are suffering from community depression. This country may have lost over 600,000 farm families in the 1980s. Anthropologists' predict the loss of community leaders, in the 1980s, may have a more adverse effect on this nation than the Great Depression of the 1930s. The sociological effect of losing the young leaders, such as the Sunday school teachers, the baseball coaches, physicians, and the loss of rural community institutions of churches, schools, hospitals, and the loss of health, mental health and substance abuse treatment systems, has weakened this nation even more than the Great Depression. Rural economics continue to be more fragile. This loss of the social support system of the rural community could create a social and cultural delayed stress syndrome and pockets of poverty in rural communities that will appear by lowering the quality of life decades into the future. These new pockets of poverty and culturally depressed rural poor have been created in Western Oklahoma.

An article in the new York Times, on June 2, 1989, by Isabel Wilkerson,

> "...the Housing Assistance Council, a rural advocacy group in Washington, found that rural people accounted

> for a fourth of all stays at homeless shelters, in 2,200 rural and urban counties it surveyed across the country, last year. The problem is more acute in heavily agricultural states like South Dakota, where rural people account for close to 90 percent of the state's 4,000 homeless, said Ruth Henneman, who runs the state's Community Assistance program."

As the land values and commodity prices decrease and the debt load increased, the mid-career farm families tend to suffer most of the impact. Many debt-ridden farm families are more suspicious of government, as their self-worth, sense of belonging and hope for the future deteriorates. The stressed farm families have suffered a loss of relationships within their family, peer group and community. This loss is best illustrated in the Charles and Wanda case. (Attachment 1)

The renaissance of rural economic development will require federal intervention by legislation focused on interagency collaboration. Industrial foundations and local Chambers of Commerce must have funding incentives for model multi-agency, multi-discipline housing programs, education programs, and social and health care programs. The U.S. Congress can save the family farms out of the over-funded bombs and bullets budget of DOD.

As an employee in the mental health field for over 30 years, the challenge for immediate corrective action is obvious and necessary to revitalize the rural communities of Oklahoma. Cooperative interagency rural mental health care programs are mandated to bring back the professionals (social workers, nurses, psychologists and physicians). Categorical federal

aid is required for rural economic development. Block grant funding must be earmarked for the rural human services. Several of our rural counties, in Western Oklahoma, will approach 20% elderly population by the year 2000. Yet, most of the rural hospitals will not be utilized for programs for the elderly, youth, and mental health care because of current government planning, policy and health care facility requirements as promulgated from the federal statutes.

This subcommittee is encouraged to take action in changing bureaucratic regulations that disenfranchise the rural health care system. These regulations, often created by pressure groups with profit motives, have resulted in vacant hospital beds. Vacant beds already paid for by the rural community taxpayers but cannot be utilized for treatment because of inappropriate federal and state regulations.

Rural economic development must emphasize and access technology. The computer chip, fiber optics, and even the FAX machines, alleviate the sacred cow that industry must belocated in the smog-filled, crime-ridden, inner city.

This subcommittee can provide the professional and social support necessary for rural economic development should aggressive funding strategies for human services be legislated. Priority funding, in the 1990s focused on interagency and cooperative social and health care funding of programs, is paramount if rural taxpayers have equal

opportunity to human services as their city cousins. This subcommittee can keep many existing farmers on the land by legislation which uses the farmers' skills during the 1990s. Farmers can be the change agents in the next decade to improve the quality of life in the United States. Congress should use the farmers to implement key legislation in three areas: 1) soil conservation, 2) environmental issues, and 3) reordering the farm products marketing system. A current national farm market, which is controlled by only six or eight major companies, does not offer the farmer a fair price for the cost of production. Congress can correct this injustice by legislating these companies so the abuse of power over the lives of farm families will no longer continue.

Some decision-makers may have forgotten that food for our nation is a necessity. The market for farm products of the 1970s will probably not return. Fifty percent of our wheat and corn is not apt to be exported in the 1990s as in the 70s. The independent family farm in the 1980s was a myth. The American farmer is ready for a positive change and the farmer is necessary for implementation of legislation to control insecticides, herbicides and fertilizers that poison our environment. Technology, available to rural communities, and fair market prices and new industry can bring back the rural hospital, schools, churches, Sunday school teachers, professionals and a wholesome social, cultural, educational and wellness life-style to the rural community.

(Attachment follows:)

Attachment 1

Financially Stressed Families

By Don Hall

Charles and Wanda are a composit of many rural Oklahomans. Charles inheritted his father's farm in the '70s. He was 46 when his father died and his mother passed away a few months later.

When Charles took over the farm, it was debt free. Charles and Wanda, having sold their equity in the small house in town, spent the money to make improvements in the farm house. The 160-acre farm wasn't the best in the county, but the pasture was decent and there was about 60 acres that could make 25-bushel wheat in a good year and a cotton allotment.

Charles and Wanda planned. There was a good quarter section about three miles away. They could get that 160 acres for a bit less than $200,000. The bank would be happy to let them have that much on an FmHA-backed loan using that 160 and the home place as security. They made the deal and were also able to lease another 160 acres of wheat land nearby. Charles was now farming bigtime. This meant, of course, he had to have new, bigger and better equipment.

"Why, sure, Charley, go get whatever you need," the banker told him. "The value of that land of yours is going up and we can carry you on that."

So Charles bought new equipment--nothing too fancy but the ticket was $68,000. The adjustable interest rate on the loan started out three points higher than what Charles was paying on his land. No matter, an oil company paying him $8,000 a year for three years for a lease on the home place. Things were going so good for Charles and Wanda that they built a new house on the farm--with a $130,000 adjustable rate mortgage.

Cash flow became a little tight, so they borrowed to put in the winter wheat crop--three years in a row. So did almost everybody else. Seed and fertilizer were expensive and not many people had the cash reserves to carry that. Then, too, there had been a couple of dry seasons that cut production. Wheat prices were down below $3.00, barely

enough to pay for the cost of raising it. The oil company didn't renew the lease. Land values were falling. Several business in town, including the farm tractor and implement dealer, had closed up. The banker didn't seem as friendly.

The bottom had fallen from under Charles and Wanda, just as it did for literally thousands of Oklahomans.. The state's agricultural and petroleum based economy all but collapsed. Farms were sold at a fraction of what they had once been worth or were repossessed. Land, equipment, homes, savings gone. Rural Oklahoma suffered and is suffering. Businesses closed; banks were declared insolvent; jobs were lost, and small town living became more stressful for many, impossible for others.

The situation has eased little since its depths in the mid '80s. In fact, new pressures have been applied as the Farm Home Administration issued repossession notices to several hundred Oklahoma farmers earlier this year.

The economic burdens and the resultant stress build-ups caused a rise in the number of suicides in the rural communities. Alcohol abuse increased. Domestic violence began to occur in families where there had never before been such incidents. Emotional problems, once controlled, or at least hidden, began to surface. Yet, the proud, independent individuals of rural Oklahoma were reluctant to seek or accept the services of professionals in community mental health centers. Many in rural Oklahoma were forced to leave their home communities and seek jobs in the larger cities. The picture in the metropolitan areas wasn't a great deal brighter and jobs were not always available.

The ranks of the homeless again increased with the influx of the rural population into the cities where rents were higher and a two-person family or one with children just couldn't survive on minimum wage income.

Joblessness and low earnings took from the city dwellers, as well. Small businesses closed, often casting their owners and a few employees into the "unemployed." Large corporations declared bankruptcy and large numbers of employees were added to the jobless list. Many fled the

state, looking for greener economic pastures. Others hang on, searching for jobs that weren't there and eking out survival on unemployment checks which soon ceased.

Here, too, alcohol abuse and family violence increased. Families broke up. Abused wives took their children and left dangerous situations, often only to find themselves in circumstances that were little if any better. Deserted wifes with children tried unsuccessfully to subsist on low wages.

Federal, state and privately financed systems were overburdened. The systems, including the Department of Mental Health had neither the money, the manpower, the necessary research, nor the system flexibility to expand their programs and to take all of their services to this growing and many times phantom population.

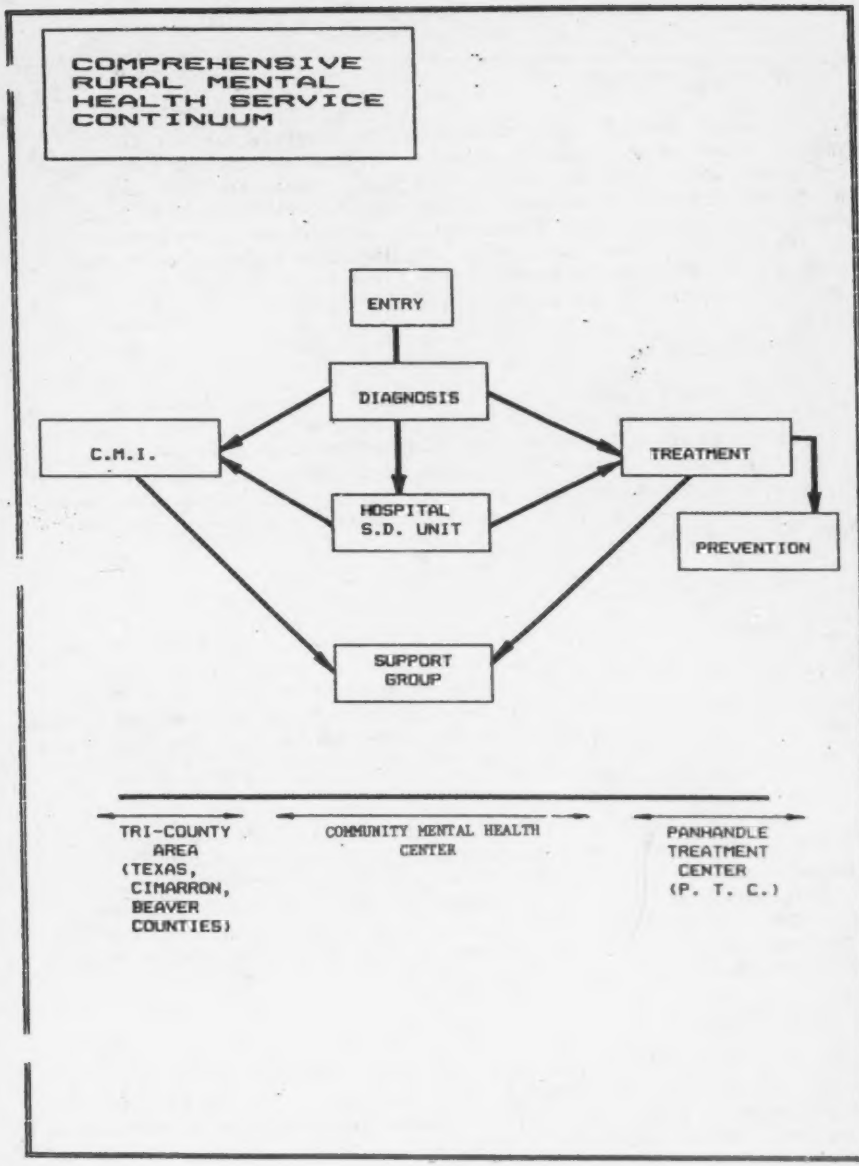
The stronger of the financially stressed families recovered or are on their way to recovery, due to their personal strengths. Others--the less determined, less gifted, the less fortunate--are still among the homeless. They move from shelter to shelter, from state to state as the rumor network which operates with high efficiency in this society brings tips of job opportunities at various places.

Among this group of unfortunates are many of those addicted to alcohol and other drugs, the abused and the abandoned, and the once innocent adolescents who have grown up too fast and too far away from the guidance of a loving family. On a national scale, from 25 to 30 percent of the estimated 3 million homeless are thought to be mentally ill.

Only a small percentage of any of these groups will receive assistance from the mental health care service. For the most part, those who do come through the Department of Mental Health and Substance Abuse Services system will be those who apparently are a threat to themselves or others. Almost none of the street people and the chemically addicted will take advantage of the long-term programs available which could help them improve their station in life. Too many of the adolescents and mentally ill will remain in their homeless or poverty stricken mode.

Until the full scope of the problems facing the homeless is researched, totally defined and specific programs developed to serve this population, their number will continue to grow. Chief among the needs are programs which will develop motivation within and provide viable opportunities for these impoverished people.

Extracted from an article entitled
"The Homeless...Stories of Human Tragedy"
appearing in *The Program*, Vol. 2, No 1, dated August 1989,
a newsletter published by
The Oklahoma Department of Mental Health and
Substance Abuse Services.


COMPREHENSIVE RURAL MENTAL HEALTH SERVICE CONTINUUM
ENTRY
DIAGNOSIS
C.M.I.
TREATMENT
HOSPITAL S.D. UNIT
PREVENTION
SUPPORT GROUP
TRI-COUNTY AREA (TEXAS, CIMARRON, BEAVER COUNTIES)
COMMUNITY MENTAL HEALTH CENTER
PANHANDLE TREATMENT CENTER (P. T. C.)

COMPREHENSIVE RURAL MENTAL HEALTH SERVICE CONTINUUM

I. INTRODUCTION

Appropriate and timely mental health services are not fully available in rural areas. Available services are impacted by the barriers of distance and information gaps. These services are scattered and not coordinated in any fashion which consider costs and effectiveness. Case management is not generalizable between and among the various providers. The implementation of this comprehensive continuum of mental health care services will make these problems a thing of the past. See chart "CRMHSC".

II. CONCEPT

This idea is neither unique nor new. Panhandle Treatment Center (PTC) has been incubating the concept of developing a coordinated and comprehensive mental care deliver system for several years. Current PTC boundary-spanning programs point this out. Working with other regional providers the Panhandle Treatment Center has developed a three year plan of implementing a synergistic mental health system.

III. ORGANIZATION

Community Mental Health Center will be the focal point of all the major providers of mental health services at every level of delivery or need. Working through an advisory board, all providers will establish linkages, protocols and procedures for the appropriate and timely delivery of mental health services in the tri-county area.

IV. STAKEHOLDERS

The beginning list of stakeholders will include: Court Services, Department of Human Services, Private Sector Population Representation, Public School Officials, Business Sector Representation (Employee Assistance Programs), Vocational Rehabilitation, Department of Public Health, Texas County Guidance Centers and representation of major third party payers, i.e. Medicade, Medicare, Private Insurance.

V. FUNDING

Financing will be provided through a seed money grant for a feasibility study. Additional funds will be sought and provided for through the various stakeholders mentioned above and the Federal Regional Mental Health Offices in Dallas (Region VI) and Washington,D.C.

SERV ES

CHRONICALLY MENTALLY ILL

OUTPATIENT
DAY TREATMENT
MEDICATION CLINIC
DUAL DIAGNOSIS

GENERAL PUBLIC

EVALUATION
ASSESSMENT
INDIVIDUAL COUNSELING
REFERRALS
SPECIALIZED GROUP COUNSELING

ALCOHOL AND DRUG TREATMENT

REFERRALS
INPATIENT
OUTPATIENT
DUAL DIAGNOSIS
FAMILY
DRUG TESTING
ADSAC SCHOOL

PREVENTION/EDUCATION

1. Youth Services
2. Area Prevention Center
3. High Risk Prevention
4. Alternative School

GUYMON
Chamber of Commerce
HWY. 3 EAST RT. 3 BOX 120 GUYMON, OK 73942 338-3376

June 30, 1989

Pat Bowen
Panhandle Treatment Center
P.O. Box 1739
Guymon, Oklahoma 73942

Dear Pat:

On behalf of the Guymon Chamber of Commerce I would like to pledge our full support of your efforts to obtain funds for the expansion of services to The Panhandle area.

We believe the programs that you have outlined are badly needed for the citizens of this part of Oklahoma. Too many times our people have to seek these services in Kansas or Texas.

Any way we may assist toward securing the needed expansion of these programs we will be more than glad to do so.

Yours truly,

Dave Cavitt

Dave Cavitt, President
Guymon Chamber of Commerce

The FIRST NATIONAL BANK of Guymon
Member FDIC

June 19, 1989

Pat Bowen
Panhandle Treatment Center
Box 1739
Guymon OK 73942

Dear Pat:

I see the need for a comprehensive rural mental health service continuum in Guymon and I support the effort to create it.

Members of my family have needed help in the mental health area and we have been forced to drive to Amarillo, Texas, or Oklahoma City to see the proper professionals.

I can see the economic impact for our town as well as the benefits to our people.

Sincerely,

Sharon Peddy

Sharon Peddy
Vice President

424 N. MAIN / P. O. BOX 100 / (405) 338-3346 / GUYMON, OKLAHOMA 73942

PANHANDLE STATE UNIVERSITY GOODWELL, OKLAHOMA 73939

June 21, 1989

Ms. Pat Bowen
P.O. Box 1739
Guymon, Oklahoma 73942

Dear Pat,

I am writing to you to encourage your efforts to provide consolidated human services for the Guymon/Panhandle area.

We here at Panhandle State University recognize the need for such services in our area. Our students too often have to travel great distances to receive assistances which you propose to provide through the consolidated center which you propose. Having these services at a closer proximity to our campus would be of great service to our student body.

When working with a thousand or better student body each year, plus our own faculty and staff members and their families, we encounter great hardship in trying to provide services to our people when they are in need. Too often these services are only available by a full day travel just to get to the providers office.

We sincerely hope that you are successful in your efforts to provide these much needed offices for the mental and physical health of our people.

Sincerely Yours,

Bob Neel

Dr. Robert S. Neel
Director of Development

BOARD OF EDUCATION
E. R. KIMBEY, PRESIDENT
WILLIAM W. CAMPBELL, VICE PRESIDENT
[illegible] DAVIS, CLERK

Guymon Public Schools

CLAYTON B. GOFF, SUPERINTENDENT
DON BOWMAN, ASSISTANT SUPERINTENDENT
Guymon, Oklahoma
73942

BOARD OF EDUCATION
HARLIN "PETE" HEADRICK, JR., MEMBER
RICHARD O. SHAFFER, MEMBER
FRED HATTER, MEMBER
BARBARA DEARING, TREASURER

June 20, 1989

Pat Bowen
Director of Panhandle Treatment Center
P. O. Box 1739
Guymon, Oklahoma 73942

Dear Pat:

Guymon Public Schools urge and support your organization in seeking funds for a grant which will enable you to have a continuum of mental health care services in the Oklahoma Panhandle.

With the additional staffing of a psychiatrist and a psychologist, clients will be served more efficiently and with less confusion, as well as giving the added expertise to this agency.

Having a central mental health center will help the Guymon School System with testing that might be required for any of our students.

We encourage you to seek this grant and want to support this effort in any manner that we can.

Sincerely,

Clayton B. Goff

Clayton B. Goff, Supt.

CBG:bw

GUYMON
Chamber of Commerce
HWY. 3 EAST RT. 3 BOX 139 GUYMON, OK 73942 338-2170

June 30, 1989

Pat Bowen
Panhandle Treatment Center
P. O. Box 1739
Guymon, Oklahoma 73942

Dear Pat:

As President of the Guymon Industrial Foundation I want to encourage you to continue your efforts to obtain the funds for the expansion of services for this area. The continuum of mental health service in the Oklahoma Panhandle is a vital link to the further development of this part of the state.

In present day society, a variety of treatment and counseling services are increasingly important to business and industry and plays an important part in the decision process for determining a location.

You have the full support of the Guymon Industrial Foundation.

Yours Truly,

Alfred A. Chill Jr.
President
Guymon Industrial Foundation

SOUTHWESTERN PUBLIC SERVICE COMPANY
P. O. BOX 37 • GUYMON, OKLAHOMA 73942 • 405 338-6511

June 30, 1989

Pat Bowen
Panhandle Treatment Center
P.O. Box 1739
Guymon, Oklahoma 73942

Dear Pat:

This letter is to inform you that I fully support your plans to expand the services needed in our area.

The programs you outlined would be an asset to business people, manufacturing and the public in general.

I welcome your thoughts and pledge my support to the project.

Yours truly,

Dave Cavitt

Dave Cavitt
District Manager
Southwestern Public Service

STATE OF OKLAHOMA

DEPARTMENT OF HUMAN SERVICES

Texas County FHD
P. O. Box 379
Guymon, Oklahoma 73942

Help for Today
Hope for Tomorrow

July 7, 1989

Department of Human Services
Child Welfare
P. O. Box 379
Guymon, Oklahoma 73942

Dear Ms. Bowen:

This letter is to affirm and support our conversation regarding the need for more extensive services in the panhandle for problems with chemical dependency and lack of resources. In FY'88, Child Welfare provided services for over two hundred clients in Texas, Cimarron, Beaver and Harper Counties, with the bulk of the cases from Texas County. The Child Welfare staff logged over 52,000 miles providing services to these clients. Approximately 10% of the juveniles and 40 % of the families, that our office work with have a chemical dependency problem. These problems are not readily handled by the community because of the lack of resources in this very rural area. Often our office must send juveniles and their families outside the community for assistance. These problems place additional stress on the juvenile court system, public school systems, foster homes, and other resources and agencies who have limited abilities to deal with these families.

The agency has always supported and maintained that the best way to help juveniles and their families is to use prevention programs on the local community levels. With ownership and control, programs such as Panhandle Treatment Center can provide a variety of services to the local community.

Sincerely,

Nancy Jackson

Nancy Jackson
Social Service Supervisor I

NJ:gh

Gary Maynard
Director

Gary A. Parsons
Associate Director

Justin Jones,
Deputy Director

David Hargrove
District V Supervisor

DEPARTMENT OF CORRECTIONS

DIVISION OF PROBATION & PAROLE
District V
808-810 West Maine
Enid, Oklahoma 73701
(405) 237-3396

July 20, 1989

Pat Bowen, Administrator
Panhandle Treatment Center
P. O. Box 1739
Guymon, OK 73942

Dear Pat:

This letter is to show my support for your efforts to expand and improve the mental health/alcohol and drug services offered to the rural area of northwest Oklahoma as outlined in the Comprehensive Rural Mental Health Service Continuum.

The plan you have outlined would benefit all the persons in this area and provide improved services without the necessity of long distance travel or of going out of state to acquire the services needed.

Again, you have my support for this project and if there is any way I can help you in securing the needed expansion of these programs I will be glad to do so.

Sincerely,

Morgan D. Wilkinson
Probation and Parole Officer
District V
P. O. Box 1246
Guymon, OK 73942-1246

MDW/sl

Joann L. Wells
P.O. Box 1302
Guymon, OK 73942

July 20, 1989

Pat Bowen, Director
Panhandle Treatment Center
P.O. Box 1739
Guymon, OK 73942

Re: Mental Health Services
Panhandle of Oklaho[illegible]

Dear Pat:

I would like to take this opportunity to express my support for the Comprehensive Mental Health Program that is being proposed for our community and surrounding area. I am in favor of the upgrade of Mental Health Services for our area of the State, as I feel it is direly needed. I have a number of people who come to my agency for services who could also benefit from more comprehensive Mental Health Services.

Respectfully,

Joann Wells

Joann Wells, M.S.W.
Senior VR Counselor

STATE OF OKLAHOMA

DEPARTMENT OF HUMAN SERVICES
Texas County DHS
P. O. Box 379
Guymon, Oklahoma 73942

Help for Today
Hope for Tomorrow

July 7, 1989

Department of Human Services
Court Related/Community Services
P. O. Box 379
Guymon, Oklahoma 73942

Dear Ms. Bowen:

This letter is to affirm and support our conversations regarding the need for more extensive services in the panhandle for problems with chemical dependency and resources. In FY'88, Court Related and Community Services provided juvenile probation and parole services for over a hundred clients in Texas, Beaver and Cimarron Counties with the bulk of the cases from Texas County. The CRCS staff logged over 32,000 miles providing services to these clients. Approximately one third of the juveniles and about one half of the families, that our office work with have chemical dependency problems. These problems are not readily handled by our community because of the lack of resources in this very rural area. This often entails sending juveniles and their families outside the community for assistance. These problems place additional stress on the juvenile court system, the public school systems and other resources and agencies who have limited abilities to deal with these families.

The agency has always supported and maintained that the best way to help juveniles and their families is to use prevention programs on the local community levels. With ownership and control, programs such as Panhandle Treatment Center can provide a variety of services to the local community.

Sincerely,

Nancy Jackson

Nancy Jackson,
Social Service Supervisor I

NJ:gh

ASSISTANTS
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BEAVER, OKLAHOMA
PH. 405-625-3128
GERALD E. WEIS
BOISE CITY, OKLAHOMA
PH. 405-544-9431

ASSISTANTS
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PH. 405-735-2213
HAMAN M. FOSTER
GUYMON, OKLAHOMA
PH. 405-338-3804

OFFICE OF
THE DISTRICT ATTORNEY
FIRST JUDICIAL DISTRICT
CIMARRON, TEXAS, BEAVER AND HARPER COUNTIES

DON E. WOOD
DISTRICT ATTORNEY

PHONE 338-3730
GUYMON, OKLAHOMA 73942

August 8, 1989

Ms. Pat Bowen
Panhandle Treatment Center
P.O. Box 1739
Guymon, OK 73942

Dear Ms. Bowen:

The District Attorney's Office joins with all other organizations in the area in supporting your efforts to bring more services to the Oklahoma Panhandle and surrounding region.

As you know, our office gets a cross section of the population in the Panhandle. As the letter from Ms. Jackson of the Department of Human Services ably says, chemical dependency is a serious problem contributing to at least one-half of the juvenile cases that come through this office has prosecuted since the beginning of this year have had their origins in substance and other alcohol-related crimes. And while your office has done excellent work assuring that many of these people do not become repeat offenders, more needs to be done.

Of nearly equal concern to this office is the crying need for more adequate mental health services. The nearest treatment center of any consequence is Western State Hospital in Ft. Supply, some 110 miles from Guymon. Other facilities located in the vicinity are either woefully inadequate or are in the neighboring states of Kansas and Texas, thus creating tremendous jurisdictional problems for this office.

In short, we strongly feel that a consolidation of services would go a long way toward addressing the wide spectrum of problems with which this office must cope on a daily basis. It is through such a consolidation that the problems of chemical abuse -- on both the adult and juvenile levels -- mental health, and general evaluation and treatment for criminal violators can be best addressed.

Sincerely yours,

Don E. Wood

Don E. Wood
District Attorney

DEW:sjb

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Conservation,
Credit and Community Development

Rural Oklahoma is suffering from the same problems as the entire Southwest and is typical of what is happening to rural America. The out-migration of our human resources, from the farm to the city, is accelerating at a rapid pace. Health care resources, which compliment community development, are struggling for survival.

The "plight of the rural hospital" is devastating to communities like Mooreland, Marlow, Afton, Collinsville, Cordell, Jay, Waynoka, and, recently, Thomas. Each of these communities have seen their hospital close since the implementation of the DRG payment system. Collinsville and Cordell have reopened under management contracts by larger hospitals. The State Department of Mental Health and Substance Abuse Services, through a joint venture with hospitals in Wetumka, Sulphur, and Mangum, has provided funding for mental health and alcohol services which has stabilized the financial base and helped save these three hospitals.

Experience shows that when the hospital "belly's up" the doctor leaves town, the pharmacy closes, the nurses seek employment elsewhere - so you are talking about the collapse of the entire health care industry and this can be catastrophic to a community.

Health care services are a necessary component for rural development. Mental health services are also vital and must be a part of our health care system. If a community is to be successful in recruitment of an industry, it must have the availability of health services.

The Health Care Financing Administration, through the Medicare payment system, has been a contributing factor to the collapse of our health care delivery system in Oklahoma.

Rural hospitals receive an average of $1,000 less per DRG than their urban counterpart. Oklahoma is divided into 5 zones for Part B reimbursement under Medicare. Doctors practicing in Zone 99 receive 40% less than those in Oklahoma City and Tulsa; and I am talking about the same specialty, doing the same procedure.

When Dr. Gary Moody left Waynoka on April 1, 1988 to establish an Oklahoma City practice, he reported the discrepancy in Medicare reimbursement as the main reason for his exodus.

Congress must take immediate action to provide equity in it's reimbursement policy and end it's discrimination against rural health care. S.B. 306, authored by Bentsen and Dole, will help solve the hospital payment problems, and a statewide payment zone in Oklahoma for Part B would eliminate the discrepancies existing in physician reimbursement.

If Congress elects to implement a fee schedule, based upon the Relative Value System, we must be cautious to not repeat the mistakes of the past. Let's give rural Americans an equal chance for health care. We are not asking for subsidies, just equality.

Our mental health system is currently being challenged to the maximum.

The financial disasters, which have confronted our farm families in recent years, have created a stress level that has contributed to increased alcohol and drug abuse and a much greater need for mental health services.

It is a challenge to develop a continuum of care in rural Oklahoma. Mental health specialists and treatment services must be available throughout our state. We need the support of the Federal Congress in recognizing the necessity of comprehensive health care in rural Oklahoma. Physical, mental, and social well-being is a dream of every American.

We must find creative ways to attract psychiatrists to rural Oklahoma. Psychologists and social workers are also poorly distributed.

Forty-one percent of our state's population is rural, yet less than 15% of the state's psychologists practice in rural

Oklahoma. Statewide, 249 licensed psychiatrists were practicing on July 1, 1988. Only 31 or 12% were in rural Oklahoma. This maldistribution of psychiatrists and psychologists illustrates how critical our shortage of mental health resources is in rural Oklahoma.

We have recently been informed that our federal mental health block grant is being cut 10%. We currently have 162 contracts with providers of mental health and substance abuse services. If our federal funds are cut on October 1, 1989, we will have to reduce our grants accordingly.

Many existing programs and services will have to be cut. Services are very minimal in rural areas. Any further cuts in services in rural Oklahoma will be devestating. We are talking about human lives. It is critical that more adequate funding for mental health services be obtained. We need your help, Congressman English, and the other members of the Subcommittee. Thank you for the opportunity to appear before you today.

I would be happy to answer any questions.

REVISED COPY

TESTIMONY OF LOU NORTHCUTT, RN
RURAL HEALTH CARE NURSE
MARSHALL MEMORIAL HOSPITAL
MADILL, MARSHALL COUNTY, OKLAHOMA

Thank you so much, Mr. Chairman, for the opportunity to speak with you about the concerns we in rural Oklahoma have about health care.

I am Lou Northcutt, a Registered Nurse. My work is in a rural hospital in Southern Oklahoma where I am the Emergency Services Supervisor and Inservice Director. I deal with many emergencies and crises in the Emergency Room every day. When a patient comes in who is extremely ill or severely injured, I go directly to the person who can make the decisions to do something about it. In emergencies the Doctor and I must act decisively. This is why I came to talk with you. Sir, our patient, yours and mine, is very sick. And it's not just one system that is affected; it's a total systems failure. You are the people who can make decisions and implement them to turn this thing around or let it die.

Rural Oklahoma is an economic wasteland and it will soon become a medical wasteland if something isn't done and done soon.

You have not heard a lot from us in the past. We have not been a well organized constituency because we did not have the time or the money.

Basically, we in rural health care have been trying diligently to take care of our people. Rural people believe in taking care of our own, and we have done that faithfully and well. It is not until now, when

THE SYSTEM IS DISINTEGRATING, THAT WE RAISE OUR VOICES IN CONCERN AND FRUSTRATION.

THIS IS WHAT IS HAPPENING IN RURAL OKLAHOMA:

THE HOSPITAL

IN THE FISCAL YEAR ENDING JUNE 30, 1989, 73% OF THE PATIENT DAYS AT OUR HOSPITAL WERE FOR MEDICARE PATIENTS. COMBINED WELFARE AND MEDICARE PATIENTS WERE 80% OF OUR PATIENT DAYS. WE HAD APPROXIMATELY 3.6 MILLION DOLLARS IN PATIENT REVENUES FROM WHICH ABOUT $780,000 WILL BE WRITTEN OFF DUE TO MEDICARE REGULATIONS. AN ADDITIONAL $145,000 WILL BE WRITTEN OFF DUE TO WELFARE ALLOWANCES ALONG WITH $22,000 FROM OUR CHAMPUS CONTRACT. ANOTHER $275,000 IN BAD DEBT IS UNCOLLECTABLE.

IN OTHER WORDS, 33.75% OF BILLED CHARGES AT OUR HOSPITAL FOR FISCAL 1989 ARE UNCOLLECTABLE. ABOUT $950,000, OR 26.16% ARE UNCOLLECTABLE DUE TO GOVERNMENT REGULATIONS.

IF OUR HOSPITAL HAD BEEN IN OKLAHOMA CITY OR DALLAS, OR EVEN IN A COUNTY ADJOINING THE URBAN AREA, MEDICARE WOULD HAVE PAID US $500,000 MORE FOR THE VERY SAME PATIENTS.

DO THE ELDERLY AND THE UNEMPLOYED AND MEDICALLY INDIGENT IN THE RURAL AREAS DESERVE LESS BECAUSE THEY ARE RURAL?

DO YOU BELIEVE THAT WE PAY LESS FOR OUR EQUIPMENT AND SUPPLIES THAN THEY DO IN DALLAS, TEXAS?

THE ONLY THING THAT IS CHEAPER IN THE RURAL AREAS

IS THE COST OF LABOR. NURSES WITH MY TRAINING AND EXPERTISE WHO WORK IN THE CITY MAKE AT LEAST TWICE AS MUCH MONEY AS I DO. THE SAME IS TRUE OF THE OTHERS IN NURSING SERVICE AND ANCILLARY DEPARTMENTS WITHIN THE HOSPITAL. IT IS ON THE BACKS OF THE EMPLOYEES THAT THE RURAL HOSPITAL IN MARSHALL COUNTY, OKLAHOMA HAS BEEN ABLE TO SURVIVE. SEVEN OTHER RURAL HOSPITALS IN OKLAHOMA HAVE CLOSED RECENTLY, AND 20 MORE ARE IN DIRE STRAITS.

OUR COMMUNITY SUPPORTS ITS HOSPITAL. LAST YEAR WE RECEIVED ALMOST $100,000 IN PRIVATE DONATIONS TO BAIL US OUT. THE COUNTY RECENTLY VOTED A SALES TAX WHICH PASSED BY A VOTE OF FOUR TO ONE. THIS MONEY IS EARMARKED TO PURCHASE AND REPLACE MUCH NEEDED EQUIPMENT. BUT OUR RESOURCES ARE VERY LIMITED.

IF THE ONLY WAY YOU CAN SEE TO KEEP THE RURAL HOSPITAL ALIVE IS BY PAYING THE PEOPLE WHO WORK THERE SIGNIFICANTLY LESS, THEN LET IT DIE. THAT IS NOT AN ACCEPTABLE SOLUTION! I AM HERE TO DISPEL THE MYTH THAT RURAL HOSPITALS, DOCTORS, AND NURSES ARE SECOND CLASS. IT IS NOT TRUE! I HAVE WORKED IN BOTH PLACES. I KNOW! I AM A FIRST CLASS NURSE AND THE DOCTORS I WORK WITH ARE FIRST CLASS DOCTORS. YOU WILL GET WHAT YOU PAY FOR EVENTUALLY, AND THAT IS GOING TO BE NOTHING OR SUBSTANDARD CARE AS MORE AND MORE CAPABLE, CARING PROFESSIONALS GIVE UP THE FIGHT TO DELIVER CARE FOR SUBSTANDARD PAYMENT. LET ME SHARE WITH YOU WHAT IT

IS LIKE IN THE EMERGENCY ROOM WHERE I WORK:

The Physicians

Our physicians cover the emergency room in addition to their busy private practices. Last weekend Dr. Greg Martens worked about 28 hours without going home. I worked with him for about 20 hours myself because we were short on help. I did not have any time to sleep and I ate once, standing in the kitchen. During this 28 hour marathon, an 18 year old girl and a 19 year old boy who were pedestrians, were hit by a car. The accident occurred 15 miles from our facility in a rural area. The young man had severe head and facial trauma. The girl was also badly injured. If our facility had not been there, the boy would have died.

Next, a 17 year old girl was brought to the emergency room by her parents. She lived about ten minutes away. She was in severe respiratory distress. Her skin was cold and clammy. The chest x-ray showed her right lung had collapsed for no apparent reason, a spontaneous pneumothorax. Within about 30 minutes we had a chest tube inserted and the lung reinflated. What would have been the outcome if she had been forced to be transported to another facility? The risk is great.

The emergencies kept coming until, at 2 a.m., a 56 year old man came through the emergency room doors about one and one-half hours into an anterior MI, a heart attack. We worked quickly, using Streptokinase

THERAPY, TO DISSOLVE THE CLOT BLOCKING HIS CORONARY ARTERY. TIME IS VERY PRECIOUS IN SAVING HEART MUSCLES AND LIVES. STREPTOKINASE NEEDS TO BE GIVEN WITHIN TWO HOURS OF THE ONSET OF THE MI TO BE EFFECTIVE. IT TAKES A WHILE TO DIAGNOSE AND APPROXIMATELY 30 MINUTES TO DO THE PROCEDURE. IN THE FIRST ONE AND ONE-HALF YEARS THAT WE HAVE BEEN DOING STREPTOKINASE THERAPY, 17 PEOPLE WITH HEART ATTACKS HAVE BEEN SAVED. OUR BEING IN THE COMMUNITY MEANT THAT THESE PEOPLE ARE ALIVE WITHOUT SERIOUS DISABILITY.

FOUR YEARS AGO THERE WERE EIGHT DOCTORS IN MARSHALL COUNTY. A YEAR AGO THERE WERE SEVEN. AS OF LAST WEEK THERE ARE ONLY FOUR LEFT.

DR. MIKE PONTIOUS AND HIS WIFE DR. MYRNA PONTIOUS ARE LEAVING. AS A RESULT, THERE WILL BE NO PRENATAL CARE OR DELIVERY SERVICE IN OUR COUNTY. THEIR VALUABLE SERVICES ARE LOST. WHO WILL REPLACE THEM?

DR. MIKE PONTIOUS IS RETURNING TO ACADEMIA. HE WILL BE DIRECTING THE OKLAHOMA UNIVERSITY SCHOOL OF MEDICINE RESIDENCY PROGRAM IN ENID, OKLAHOMA. I WOULD LIKE TO SHARE WITH YOU HIS THOUGHTS ABOUT THE RURAL SITUATION AND WHY HE IS LEAVING:

> I CAME TO PRACTICE MEDICINE.
>
> I CAME TO RURAL OKLAHOMA TO PRACTICE MY PROFESSION . . . ALL WAS WELL. I FOUND MYSELF FULFILLING A DREAM, BEING NEEDED, BEING USEFUL, UTILIZING THE LESSONS I HAD LEARNED SO WELL.

6

THE ACADEMIC CENTER HAD TRAINED ME WELL FOR THE TECHNICAL END OF MEDICAL CARE. OF COURSE, THEY NEVER TOLD ME THAT THE TECHNOLOGY THAT THEY TRAINED ME FOR WOULD NOT BE AVAILABLE IN THE RURAL SETTING.

YET THERE IS SOMETHING EXHILARATING ABOUT PRACTICING CLINICAL MEDICINE WITHOUT A LOT OF GADGETS. WE JOKINGLY CALL IT "BUSH MEDICINE". IT TOOK MORE IMAGINATION AND SKILL TO DEAL WITH THE WORKINGS OF HUMAN BEINGS, WITHOUT THE NMR AND MRI. I HAD TO DEPEND ON MY EARS OR MY HANDS OR MY HEAD AND OCCASIONALLY, MY HEART.

BUT THEN, AGAIN, THIS IS PART OF THE PROBLEM WITH RURAL MEDICINE, WITHOUT THE TECHNOLOGY THE COMPENSATION FOR USING MY CLINICAL SKILLS IS VERY MEAGER. THEN SUBTRACT FROM THAT A DISCOUNT FOR USING MY SKILLS IN RURAL OKLAHOMA, AND THE COMPENSATION IS TRULY INADEQUATE.

HOW DOES ONE DEAL WITH THE DISCRIMINATION?

THERE ARE THOSE WHO SAY, "SON, BE DEDICATED TO YOUR PROFESSION, THESE PEOPLE DESERVE THE BEST YOU CAN OFFER." I CAN STILL HEAR THOSE STINGING WORDS AS I SAT IN FRONT OF THE BANKER, ASKING FOR YET ANOTHER LOAN. THE DOUBT RISES EACH TIME I THINK OF IT, MAYBE IT WAS MY MISMANAGEMENT. MAYBE I WANTED TOO MUCH, TOO QUICKLY.

FIVE YEARS OF MY LIFE SPENT LEARNING THIS

LESSON. RURAL MEDICINE IS NOT GOING TO GET BETTER. ONLY FURTHER ON THE DECLINE, AS THE WONDERFUL CHANGES OF URBAN ADVERTISING, COMPETING FOR INSURANCE PATIENTS CREEPS SLOWLY INTO THE COMMUNITY.

THESE ARE NOT WONDERFUL TIMES FOR RURAL MEDICINE.

THE OTHER CHOICE I HAVE IS TO CLIMB OUT OF THE RURAL SETTING, FLEE TO THE MANAGED CARE PROGRAMS, FIND MYSELF AN EMERGENCY ROOM JOB WITH CONTROLLED HOURS AND COMPENSATION PACKAGE.

SHOULD I FEEL GUILTY?

WHO IS GOING TO CARE FOR THESE FOLKS?

I TRULY THANK THEM FOR TEACHING ME LESSONS THAT I FAILED TO LEARN AT THE ACADEMIC CENTER.

THERE WAS A MEETING TONIGHT, TRYING TO EDUCATE ME ON NEW MEDICARE REGULATIONS. THE MASTER PLAN MUST BE INSIDIOUSLY UNFOLDING. RURAL HEALTH CARE WAS NOT ON THE AGENDA. WE ARE GOING TO DO AWAY WITH IT. NO ONE WILL BE HERE. NO ONE WILL CARE. REGIONALIZATION, DOC IN THE BOX IS TAKING OVER. IT WAS A GREAT EXPERIENCE . . . IF ONLY WE COULD CONTINUE IT. (EXCERPTS FROM UNPUBLISHED WRITINGS OF J.M. PONTIUS, M.D.)

THE NURSES

THERE IS A SHORTAGE OF WELL-TRAINED AND QUALIFIED REGISTERED NURSES IN THE RURAL AREAS. THOSE WHO ARE THERE FREQUENTLY HAVE TO WORK TWO JOBS TO MAKE ENOUGH MONEY TO MEET THE NEEDS OF THEMSELVES AND THEIR FAMILIES.

THEY ARE ISOLATED FROM THE EDUCATIONAL AND TECHNOLOGICAL ADVANTAGES THAT ARE EASILY AVAILABLE TO THEIR COUNTERPARTS IN THE CITIES.

MORE THAN ANYTHING ELSE, IT IS IMPERATIVE THAT THE PROFESSIONAL NURSES WHO ARE WORKING IN RURAL AREAS BE GIVEN INCENTIVES TO CONTINUE.

ONE OF THE INCENTIVES TO CONTINUE THAT I HAVE HAD IS THE PROGRAM OF GRADUATE STUDY THAT I AM INVOLVED IN AT TEXAS WOMAN'S UNIVERSITY IN DENTON, TEXAS. THIS PROGRAM HAS AS ITS FOCUS, ADVANCED PREPARATION OF NURSES TO PROVIDE CARE FOR THE UNDERSERVED IN THE RURAL AREAS. EACH WEEK, IN ADDITION TO WORKING FULL-TIME AT THE HOSPITAL, I TRAVEL 55 MILES TO THE UNIVERSITY TO GAIN THE EXPERTISE AND KNOWLEDGE THAT I NEED TO PROVIDE IMPROVED CARE FOR RURAL PEOPLE AND BE ABLE TO TEACH OTHER NURSES AT THE HOSPITAL IN MY ROLE AS INSERVICE DIRECTOR.

MANY OTHER NURSES AT OUR HOSPITAL ARE ALSO ENGAGED IN CONTINUING EDUCATION PROGRAMS ON THEIR OWN TIME AND AT THEIR OWN EXPENSE. THEY TOO, ARE ATTEMPTING TO MAINTAIN A HIGH LEVEL OF TRAINING AND EXPAND THEIR KNOWLEDGE.

I AM GRATEFUL FOR THE FINANCIAL ASSISTANCE PROGRAMS THE FEDERAL GOVERNMENT HAS MADE AVAILABLE FOR HEALTH CARE PROFESSIONALS TO CONTINUE THEIR EDUCATION. IT IS IMPORTANT THAT THIS ASSISTANCE BE CONTINUED AND EXPANDED.

When I see Registered Nurses migrate to the cities in search of higher pay and benefits, I am aware that there must be other incentives for them to stay in the rural areas. As rural hospitals are forced to cut their budgets they will not be able to offer the incentives necessary to retain these professionals, and patient care will become greatly compromised. It is vital that these hospitals be paid at the same level that their urban counterparts are paid for the same services.

Please help see to it that quality standards of care are maintained in rural health by recognizing the value of the professional nurse's role in planning, implementing, supervising, delivering, and evaluating nursing care.

Registered Nurses are the watchdogs of quality and conscientious care for people. They are already spread too thin, and at present are working long hours under difficult conditions to take care of patients.

There is also a need for advanced prepared nurses to provide health promotion and disease prevention programs for the underserved in the rural areas. There are many innovative ways in which the Federal Government can expand the role of these qualified professionals. One is by providing for third party payment.

The Patients

We have a high dependency ratio in the rural areas

AND IT IS GOING TO GET WORSE. WE ARE SERVING A DISPROPORTIONATE NUMBER OF THE ELDERLY, THE YOUNG, AND THE MEDICALLY INDIGENT.

OUR PATIENTS ARE YOUNG SINGLE MOTHERS AND THEIR CHILDREN. THESE WOMEN WORK FOR $3.50 AN HOUR IN THE CLOTHES FACTORY. THEIR MALE COUNTERPARTS ARE MAKING $4.00 TO $5.00 AN HOUR IN ANOTHER FACTORY.

OUR PATIENTS ARE THE SMALL BUSINESS MEN AND WOMEN WHO ARE STRIVING TO KEEP THEIR BUSINESSES OPEN IN AN UNFAVORABLE ECONOMIC CLIMATE.

OUR PATIENTS ARE THE FARMERS AND THEIR FAMILIES WHO ARE IN GREAT DESPAIR BECAUSE THEY CANNOT MAKE A LIVING ON THE FARM. MANY HAVE LOST THEIR FARMS AND THEIR HOMES AND MANY OTHERS ARE IN DANGER OF LOSING THEIRS. THESE PEOPLE ARE KILLING THEMSELVES WITH GUNS, MACHINERY ACCIDENTS, WORRY, AND HOURS OF HARD WORK WITHOUT ANY THOUGHT OF TAKING CARE OF THEIR BODIES UNTIL THEY ARE UNABLE TO WORK ANYMORE.

WHO IS GOING TO CARE FOR THESE PEOPLE? ONCE THE CARE HAS VANISHED FROM THE SCENE IT WILL NOT RETURN. IT IS NOT A MATTER OF YEARS. IT IS <u>NOW</u> THAT SOMETHING MUST BE DONE TO EMPOWER RURAL PEOPLE.

<u>THE SOLUTION</u>

YOU PLAY A BIG PART IN THE REVITALIZATION OF RURAL OKLAHOMA AND OTHER RURAL AREAS. SOME OF THE SOLUTIONS WHICH ARE DECISIONS THAT MUST BE MADE BY YOU AS YOU CAREFULLY STUDY THESE VITAL ISSUES ARE:

1. See to it that rural hospitals, nurses, and doctors are compensated in an equitable fair manner. Do not treat us as second rate providers. We are not! Primary health care is a vital part of health care and it is cost efficient. Think, as I do, that "Small is beautiful," both socially and economically.
2. Assist the farmers and ranchers to keep their lands and their livelihoods. If congress is going to bail out as many as two-thirds of the Savings and Loan institutions in this country, make agricultural 'enders, who have already been bailed out, see to it that the farmers who are left can remain and have the same opportunity to try again. Is the financial institution more worthy of our help than the institution of farming?
3. Recognize the competencies and unique contribution that nurses with advanced preparation, such as myself, can make in the rural areas. See to it that we are able to have third party reimbursement to practice in the many innovative ways that we have to bring health promotion and primary care to the underserved in the rural area.

Quite simply, remember that the patient who is critically ill and needs your help now are those who

ARE THE BACKBONE OF THIS NATION. THEY HAVE BUILT THIS COUNTRY AND ARE AT THE BASE OF ITS SURVIVAL. IF THE GOVERNMENT CANNOT DEDICATE RESOURCES TO THE REVITALIZATION OF THE HEARTLAND AND ITS PEOPLE, THEN WHAT CAN THE GOVERNMENT DO? THESE ISSUES NEED TO BE AT THE TOP OF YOUR AGENDA WHEN YOU GO TO DISPERSE THE TAX DOLLARS AND WRITE LEGISLATION CONCERNING HEALTH CARE. DR. PONTIOUS THINKS WE ARE NOT ON YOUR AGENDA. I KNOW THAT WE ARE. AS RURAL AMERICA GOES, SO GOES THE REST OF THE NATION. IF WE ARE TO BE A WASTELAND, THE DECLINE WILL NOT STOP HERE.

MEMBERS OF CONGRESS, I RESPECTFULLY REQUEST THAT YOU DIRECT YOUR FULL ATTENTION TO THESE ISSUES FOR THE GOOD OF ALL:

1. KEEP THE FARMS IN THE HANDS OF THE FARMERS WITH STRONG LEGISLATIVE ACTION. GET GRASS ROOTS INPUT FROM THE FARMERS AND THEIR FAMILIES ABOU REVITALIZATION.
2. KEEP HOSPITALS AND OTHER HEALTH CARE PROVIDERS IN THE LOCAL COMMUNITIES BY PROVIDING JUST COMPENSATION.
3. OBTAIN INPUT FROM THE NURSES WHO HAVE SERVED SO WELL IN RURAL AREAS AND OBTAIN AND CONSIDER INPUT FROM ADVANCED PRACTICE NURSES.
4. KEEP RURAL PEOPLE AND COMMUNITIES ALIVE UNTIL THEY CAN, ONCE AGAIN, TAKE CARE OF THEMSELVES.

Testimony

of

Mona Lee Brock

AG-LINK Farm Crisis Hotline

Oklahoma Conference of Churches

Thank you, Mr. Chairman, and members of the Committee, for this opportunity for input on the revitalization and redevelopment of rural America.

I am Mona Lee Brock, Counselor and Consultant to the AG-LINK Farm Crisis Hotline, coordinated by the Oklahoma Conference of Churches, Oklahoma City. AG-LINK is a toll-free service for Oklahoma farmers. Since October 1985 when you, Congressman English, answered the Hotline one half-day for me, I have talked with an estimated two thousand (2,000) family farmers (over fifty thousand [50,000] calls) who range from over being fairly economically secure, to at-risk, distressed, displaced and soon-to-be displaced family farmers.

An updating since that time reveals that AG-LINK has catalogued one hundred fifteen (115) directly farm-related suicides, one hundred (100) "questionable accidental" deaths, ninety-five (95) successful suicide interventions, one (1) prevention of a potential blood-bath-type massacre at a scheduled sheriff's sale, and four (4) preventions of threatened violence to creditors.

On the brighter side in Oklahoma, AG-LINK has assisted in enabling thousands of family farmers to remain on their farms. In the Committee's efforts to assemble workable suggestions to rebuild rural America, I progress to report what is taken from farmers' views across Oklahoma. "No implemented plan written in Washington, D. C., void of grassroots input, can ever succeed." From this collective and wise statement, I offer the following suggestions for a new and healthy development of rural America:

I. Assure that our remaining farmers, food/fiber producers <u>remain</u> on their farms.

II. Assure them a cost-of-production, plus profit for their production.

III. Avail much needed low-cost interest financing to agriculture, rural communities, and businesses.

IV. Seek and utilize answers to problems from members in rural communities. They know what their needs are and they know what it will take to solve their problems. Local and community hearings need to be held in each county in each Heartland state.

First of the above, farm families and rural populations/communities in rural America have decreased in number to the degree of locking entire communities, towns, businesses, schools, churches, industries, civic organizations, and law and fire enforcements to a near shutdown. The family farmers have been disenfranchised by bungled failed policy of their rights, lands, homes, families, and literally "turned out to pasture without grass." The result of this has been far-reaching, affecting every segment of a community in rural America.

Secondly, no commercially written "cure" will work until there is a guarantee farmers now on the farm will remain on and keep their farms. These farmers can remain on their farms when they are guaranteed a cost of production, plus profit for their production of foods/fibers. Until this is made possible, family farmers will continue to be disenfranchised of all their belongings, consumed by corporations, and will become history. This begins the acceleration of a rapid deterioration of rural America and its economic foundation. To avoid this, think in terms of:

(a) Planning retroactively for returning displaced family farmers to the land. Communities across the Heartland will once again come alive and thrive.

(b) Provision for low-cost monies financing business and industries located in rural areas, repurchasing land by those original owners who may wish to do so - creation of employment for the unemployed.

Only when this is accomplished, will America see a new rural development occur.

Thirdly, actual workable plans can be written and utilized with success when, and if, taken from grassroot rural populations. The needs of each community, though common in basics, are unique in each community. Appropriate assessment of the needs may be accomplished by focusing attention to the talents and intelligence of local people, beginning with the farmer, food/fiber producer and extending outwardly to include educators, health care professionals, clergy, agri-businesses, businesses, civic leaders, law and fire enforcement leaders, rural electric cooperatives, rural water personnel, lending institution personnel, and rural mental health care personnel. This can begin on the local community level by focusing alert interest through data assembled from local town meetings. Needs can be identified, plans can be seen and effected toward providing for and producing these needs. Also identified will be detailed needs assistance from the federal government. Low-interest monies will be addressed as a basic need for rural development accomplishment. A basic need for protection of a healthy rural development will be a requisite that rural land be owned and operated by a farmer, rancher, food/fiber producer, rather than by speculators or corporations.

With each member of our rural population in our community and rural towns across America clasping hands in a united effort, resurgence of a once prosperous, once healthy, and once developed economy can and will once again be seen.

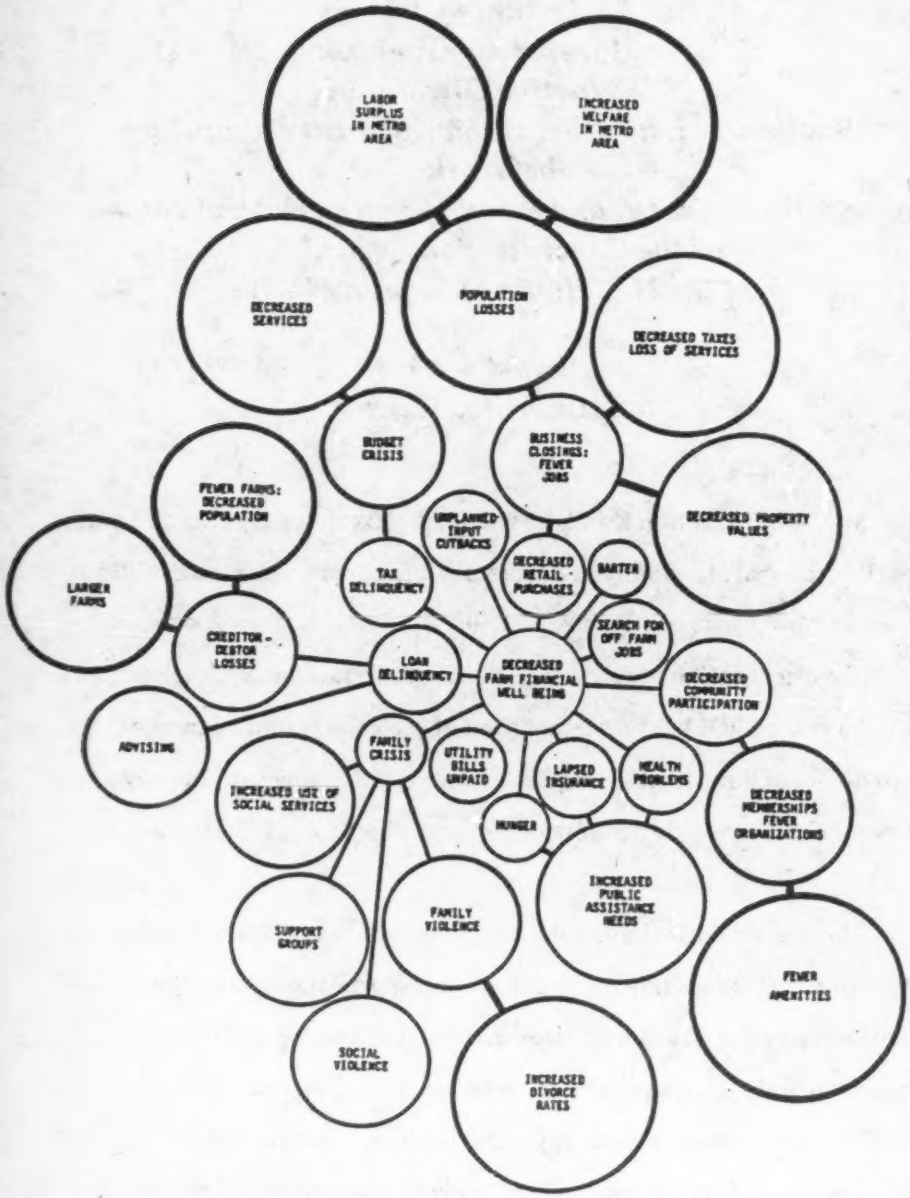
This undertaking (of these four basic suggestions) is indeed massive. It is not impossible. Rural America will consider it a challenge!

I'll be happy to answer any questions you may have.

Thank you.

"Strength From the Land"

(Attachment follows:)



FIRST, SECOND AND THIRD ORDER EFFECTS ON COMMUNITIES OF DECREASED FARM FINANCIAL WELL BEING

Testimony by
Dr. Preston C. Kronkosky,
Executive Director of
Southwest Educational Development Laboratory,
before the
Conservation, Credit, and Rural Development Subcommittee
of the Committee on Agriculture
of the U.S. House of Representatives

August 9, 1989
Amarillo, Texas

My name is Preston Kronkosky. I am the Executive Director of Southwest Educational Development Laboratory, headquartered in Austin, Texas.

The organization I represent — Southwest Educational Development Laboratory (or SEDL) — was established in 1966 and is funded by the U.S. Department of Education's Office of Educational Research and Improvement as part of a nation-wide network of regional educational laboratories.

These laboratories have been designed to translate national objectives into action that is sensitive to the culture and special needs of a region. Regional educational laboratories provide research, development, dissemination, evaluation, training, technical assistance, and linkage services for public school educators and education agencies in 10 regions covering the map of the United States and its territories. That network was authorized by Congress in

Title IV of the Elementary and Secondary Education Act of 1965 and was most recently reauthorized under the Higher Education Amendments of 1986.

I would like to explain what SEDL and other regional educational laboratories do and suggest a way that labs can help at a vital point of leverage to foster rural economic development.

SEDL serves five states — Arkansas, Louisiana, New Mexico, Oklahoma, and Texas. Almost two-thirds of the school districts in SEDL's region are rural and small, and this is typical of most regions. SEDL has worked among and in these schools for almost a quarter of a century. We know them. We have a keen appreciation of their vital role in the struggle to build and preserve the quality of life for their communities.

Building on our historic role as service-providers to our regions, since 1987, SEDL and the other regional educational laboratories have had a unique opportunity to operate the only national program directed exclusively at rural, small schools. With special appropriations from the U.S. Congress, we are in our third year of helping to identify and solve the critical problems facing rural schools.

One such problems is that rural schools are often isolated from effective training to upgrade the skills of their staffs. Therefore, SEDL has focused on improving the system of delivering staff development for rural teachers and

administrators. Rural educators in our region are concerned that their communities will not be able to compete in a global, service-based economy if their young people don't graduate from schooling with the ability to apply knowledge to abstract tasks and to solve problems that they haven't seen examples of before. So SEDL elected to demonstrate its staff development training with a series on the teaching of thinking skills; but the approach being modeled is appropriate for any needed content area.

Other regional educational laboratories are helping rural schools plan for and acquire new technologies, develop community partnership models, establish programs that teach entrepreneurship, build networks among districts to share resources, and a variety of other approaches that address locally and regionally identified needs.

SEDL's work under this initiative has focused on 30 demonstration sites, including (in the northern part of Texas) schools in Abernathy, Greenwood, Henrietta, and Seagraves. For today, I have invited Mr. Don Blankenship, superintendent of the Seagraves Independent School District (southwest of Lubbock), to represent these schools for any questions that the Committee members may have.

What do regional educational laboratories have for an Agriculture Committee that wants to encourage rural economic development?

We have an existing Congressional authorization to operate wide-ranging programs that heavily impact one of the most vital points of leverage for the development and preservation of rural communities — the public schools. We are already in place, working with these communities — with established community, state, and regional relationships, experienced staff members, and know-how derived from the most current research and our own experience. And, if given the mandate, we can take some risks and help position the schools as a point of convergence for your rural economic development effort.

The regional educational laboratories are proposing that an authorization of $12.5 million be made available for FY91 to support *pilot* programs in each of the ten laboratory regions. Each program will involve a three-way partnership of a land grant university, a select group of rural communities and their schools, and a regional educational laboratory.

The monies would be allocated for cooperative, collaborative efforts in which approximately a third would go to the university, a third to the communities, and a third to the regional educational laboratory. Five percent of the funds for each pilot program would be set aside for independent evaluation and for planning expanded implementation.

This plan would bind together the strengths of the three partners to create a new, effective, low-cost tool without having to authorize new agencies or institutions.

- The universities have community planners, sociologists, economists, and others who study rural communities.

- The public schools have human and physical resources that can and should be reorganized to help build their communities. It is time that rural schools stop using tax dollars just to train students for jobs in the city.

- The regional educational laboratories have expertise in the organization, management, and conduct of schools to help get that job done, plus credibility as third-party neutrals who can convene people, identify resources, and coordinate complex projects.

If the Committee is interested, the regional educational laboratories, though their Washington, D.C., office, would be pleased to provide a detailed legislative proposal based on this outline. And I would be pleased, along with Mr. Blankenship, to answer questions about the regional educational laboratories and our abilities to work in such a program.

Thank you.

Dr. Preston C. Kronkosky
Executive Director
Southwest Educational Development Laboratory
211 East Seventh Street
Austin, Texas 78701
512/476-6861

(Attachments follow:)

SEDL in Brief

Southwest Educational Development Laboratory

Southwest Educational Development Laboratory (SEDL) is a private, non-profit corporation established in 1966 as a regional educational laboratory under contract with the [then] U.S. Office of Education to serve the states of Louisiana and Texas. Today its regional educational laboratory contract is with the U.S. Department of Education's Office of Educational Research and Improvement (OERI) for the states of Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.

As a regional educational laboratory, SEDL is one of nine similar institutions across the United States that work *with and through* state-level agencies and/or state-wide organizations to stimulate and support research-based improvements in elementary and secondary education.

Regional educational laboratory contracts are primarily for school improvement support, providing technical assistance and linkages with the most current work of educational researchers in a wide variety of topic areas that are sought by education professionals and decisionmakers. Where existing research is not able to satisfy regional needs, the laboratories conduct applied research and develop specific tools and products, but their OERI-sponsored work is more generally characterized by identifying and collecting resources, synthesizing research results, and providing these materials, along with training and/or technical assistance, to personnel in state agencies and organizations that work more directly with schools. The laboratories also target a variety of similar information and services to state-level decisionmakers. Regional laboratory contracts do not encourage direct services to schools or local education agencies, except for specific, limited research or demonstration purposes.

At the heart of SEDL's regional laboratory service strategy is a commitment to addressing issues identified by educators, intermediaries, and decisionmakers as current and significant areas of need. Based on continual needs sensing and evaluation activities, SEDL's Board of Directors selects and annually recommits the organization to work on a short list of Programmatic Themes under its regional educational laboratory contract. During 1988 through 1990, these Themes include:

Improving Teacher and Administrator Performance

Improving School and Classroom Productivity

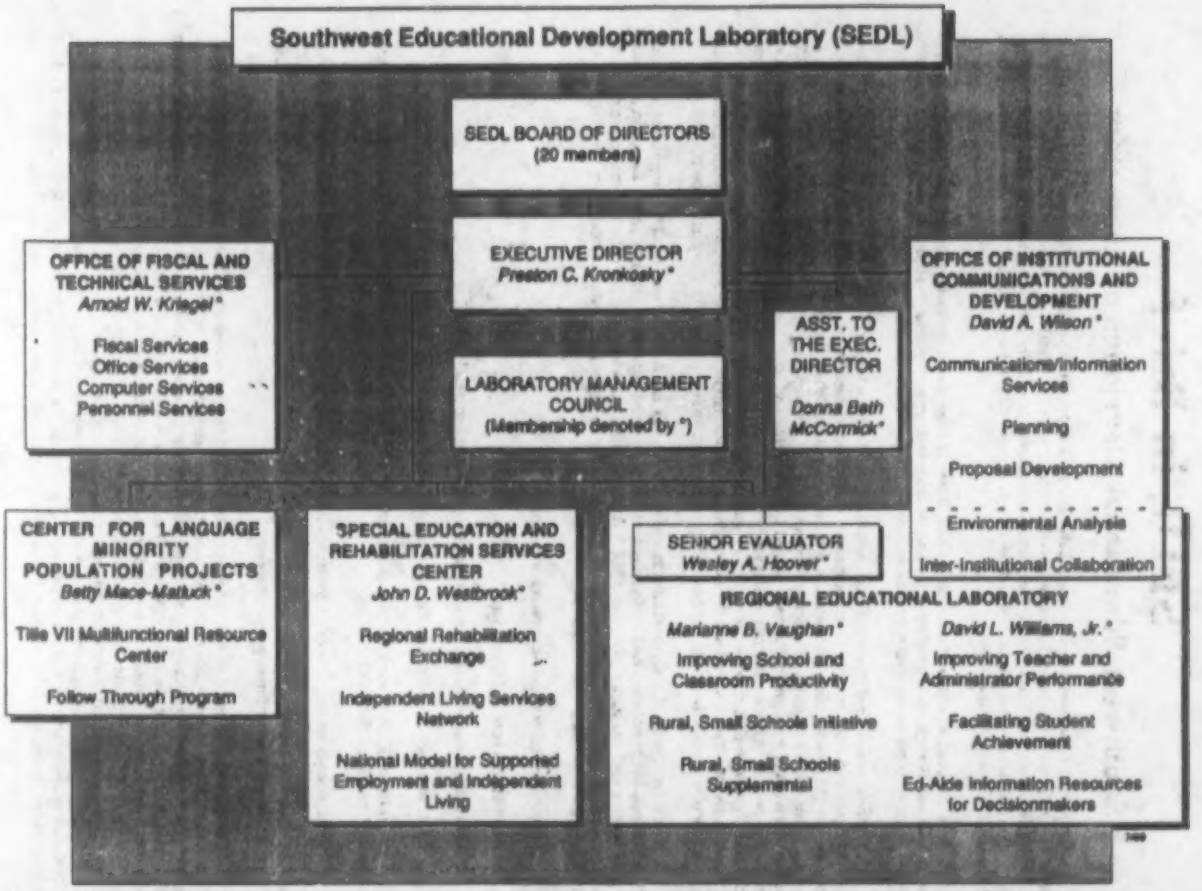
Facilitating Student Achievement in Reading, Writing, and Thinking Skills

Ed-Aide Information Services for Educational Decisionmakers and Regional Partners

In addition, SEDL is working to improve staff development delivery systems for rural, small schools under a special Rural, Small Schools Initiative.

SEDL's needs sensing and other contacts with the education community also reveal a variety of issues that, for one reason or another, cannot be included in the short list for regional educational laboratory focus, but SEDL is more than just its regional educational laboratory contract and has the ability to address many of these additional issues under other funding arrangements.

Complementing its OERI-supported operations, SEDL serves as a sponsor in the national Follow Through Program; operates an information and technical assistance project on exemplary handicapped rehabilitation programs (the Regional Rehabilitation Exchange); provides technical support and training for bilingual education and limited-English proficiency programs in Texas schools as a Title VII Multifunctional Resource Center; operates computer-based communications networks for state school administrator training programs (LEADLine) and for independent living centers serving the handicapped (ILS-Net); operates a model supported-employment program for independent living centers; and engages in contracts for consulting and technical assistance services in such areas as school improvement planning and implementation, applications of the effective schools research, development of community and parent partnership programs, the management of change, development of school administrator leadership skills; and development of communications and proposal-writing skills.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Assistant Executive Director, Resources for School Improvement

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Director, Office of Institutional Communications & Development

Regional Educational Laboratory Contractors and their Regions

AEL
Appalachia Educational Laboratory
P.O. Box 1348
Charleston WV 25325
304/347-0400
Terry L. Eidell, Executive Director

FWL
Far West Laboratory for Educational Research and Development
1855 Folsom St.
San Francisco CA 94103
415/565-3000
Dean H. Nafziger, Executive Director

McREL
Mid-Continent Regional Educational Laboratory
12500 E. Iliff Ave., Suite 201
Aurora CO 80014
303/337-0990
C.L. Hutchins, Executive Director

NE/Is
Regional Laboratory for Educational Improvement of the Northeast and Islands, Inc.
(includes Puerto Rico and the Virgin Islands)
290 S. Main St.
Andover MA 01810
508/470-0098
David P. Crandall, Executive Director

NCREL
North Central Regional Educational Laboratory
295 Emroy Ave.
Elmhurst IL 60126
312/941-7677
Jeri Nowakowski, Executive Director

NWREL
Northwest Regional Educational Laboratory
(includes Alaska and the Pacific Basin)
101 S.W. Main St.
Suite 500
Portland OR 97204
503/275-9500
Robert R. Rath, Executive Director

RBS
Research for Better Schools
444 N. Third St.
Philadelphia PA 19123
215/574-9300
John E. Hopkins, Executive Director

SEIL
Southeastern Educational Improvement Laboratory
P.O. Box 12746
200 Park, Suite 200
Research Triangle Park NC 27709-2746
919/549-8216
Charles J. Law, Jr., Executive Director

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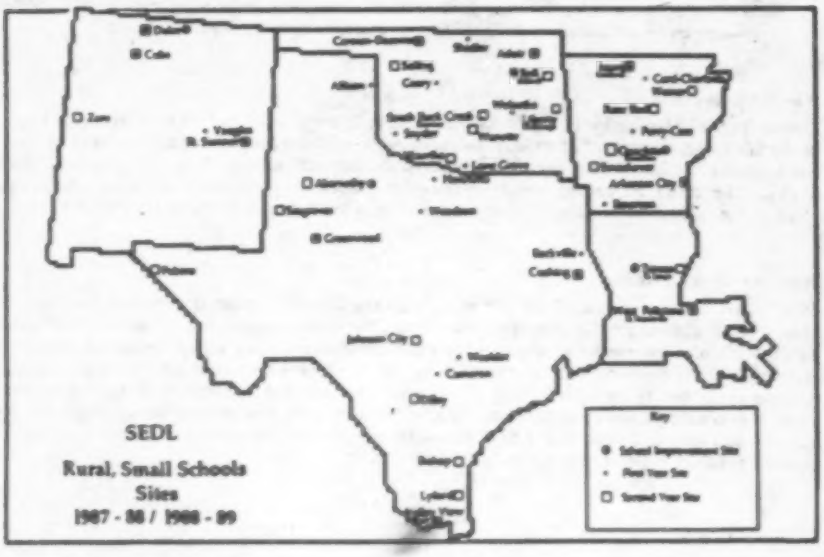
Preston C. Kronkosky, Executive Director

SEDL's Rural Small Schools Initiative (RSSI)
An Overview

Southwest Educational Development Laboratory (SEDL) has served rural, small schools since opening its doors in 1966. Many activities reflect SEDL's historic and continuing commitment to rural as well as metropolitan schools in the Southwest. Because almost two thirds of the school districts in its five-state region (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas) are both rural and small, SEDL recognizes that addressing the unique concerns of these school districts is an important part of its mission.

In 1987, with special funding from Congress, SEDL began an ambitious effort focused on the needs of rural, small schools. A beginning step of the Rural, Small Schools Initiative was to improve staff development practices using content materials to teach thinking skills in 30 demonstration districts. SEDL worked with existing service-provider organizations to enhance the staff development skills and resources of a cadre of trainers from these organizations who, in turn, trained teachers at 30 demonstration sites. This effort evolved into a comprehensive staff development approach to meet school system needs in the broader realm of school improvement.



In addition, SEDL is identifying promising practices from among the region's rural, small schools and encouraging their widespread use by publishing a quarterly summary and disseminating it throughout the five states.

Systematic Staff Development

Description

SEDL provides training and technical assistance in a research- and practice-based staff development process that addresses the following needs:

1. Staff development should be more systemic; that is, inservice training for education professionals is most effective when it is part of a *process* of school improvement, with particular training experiences selected on the basis of assessed needs to accomplish expressed objectives in a school improvement plan. *SEDL worked with a selected site in each state during 1988-89 to demonstrate planning and implementation of staff development in the context of systemic school improvement.*

2. Staff development should be less episodic; that is, training experiences should be more than "one-shot" events, and should feature multiple experiences over time accompanied by follow-through technical assistance. *SEDL is training trainers in a "systematic approach" to staff development. Multiple sessions are used during the school year to introduce concepts, to try variations in the classroom, and to exchange ideas about experiences with peers to implement at the classroom level.*

3. Content for staff development must be relevant to the current needs of school personnel. *After identifying the need for training in teaching of thinking skills as the number one issue in regional needs sensing, SEDL provided this training in its 1987-88 demonstration effort and continued in 1988-89 to offer this program to schools seeking particular assistance with that content area. SEDL's staff development process is, however, designed to accommodate virtually any content focus.*

Key Features

During the 1987-88 school year, almost 600 educators in 30 rural, small districts were trained and assisted by the SEDL-trained cadre of 35 trainers from organizations already engaged with the schools, using content based on elements from commercially available, research-based thinking skills programs. Because of a multiplier effect, the number of teachers and other educational professionals receiving services as a result of this cadre and second year training, was well into the thousands by the end of 1988-89.

What We Have Learned

SEDL's first- and second-year efforts offered a stand-alone inservice system that could be used by rural, small schools' training providers for any content focus. Increased demand for assistance from additional rural schools, plus requests for continued support and technical assistance to existing sites and trainers, has encouraged SEDL to extend the project into a third year by refining the process into two major products: (1) stand-alone training materials for staff development providers and (2) guidelines to assist rural administrators to select, direct, and evaluate effective staff development for their systemic needs. Staff development for rural schools should be even more successful when implemented in the context of a systemic approach to school improvement within each school district.

Cooperative Arrangements for the Development of Rural Educators (CADRE)

Description

From among existing agencies, organizations, and associations serving as training/technical assistance providers in the states of the Southwestern Region, SEDL recruited almost 100 professional staff members as participants in its **Training for Rural Staff Development Providers** program. From this group, 35 worked during the 1987-88 school year as primary trainers of school personnel in 30 demonstration sites across the region; the remainder served as co-trainers or alternates. In exchange for training and technical assistance provided by SEDL, CADRE members committed to deliver inservice training to selected rural educators and to assist SEDL in gathering relevant project information. Additional members were enlisted in SEDL's second-year effort. The CADRE provides an available pool of partners for continued cooperative school improvement efforts beyond the scope of SEDL's current Rural, Small Schools Initiative funding and in a broad range of content and service areas.

Key Features

1. CADRE members represent institutions of higher education, state education agencies, local education agencies, education service centers, education cooperatives, and professional development centers.
2. CADRE members are trained in research-based staff development process skills and are provided research-based content materials.
3. Technical assistance features regular communications through packets of follow-up information and through availability of SEDL staff for telephone consultation. Other assistance is provided through correspondence and limited on-site activities.
4. CADRE members use SEDL-provided training techniques and content materials with other audiences beyond SEDL's rural, small schools demonstration sites.

What We Have Learned

The "cadre" concept has been an effective means of providing staff development training with a short project lead time. It draws particular strength from the use of active training professionals who have existing relationships with target sites. Evaluation of Year One activities provided insights into ways of improving CADRE training in Year Two. This evaluation provided data from school sites that were used to refine the process and maximize conditions that support implementation.

Promising Practices

Description

To produce and disseminate information about exemplary programs from rural, small schools in the Southwestern Region, SEDL has:

1. created a database for approximately 1600 rural, small school districts and concerned institutions in the region.
2. recruited contact persons in state-level agencies, organizations, associations, intermediate units, and institutions of higher education, to nominate promising practices in rural school improvement.
3. established four program selection criteria: the program must have definite indications of success; it must be replicable; it must have existed for at least one year; and a contact person must be identified who will be accessible to interested parties.
4. produced quarterly briefing papers featuring promising practices identified through the process. Copies are sent to each of the 1600 rural, small school districts in the regional database.
5. compiled a yearly report containing descriptions and information on selected promising practices.

Key Features
As an information-gathering/dissemination activity, SEDL's Promising Practices component and local schools provide ideas for school improvement and a resource collection from which SEDL-trained staff development trainers can draw. The quarterly publication keeps the Promising Practices concept visible to potential users throughout the year, while the annual collection provides an in-depth resource.

What We Have Learned
SEDL's experience with Promising Practices has shown that rural educators value information about good ideas from their peers, and that there are many successful projects to draw upon, including many that feature collaboration between schools, businesses, and other organizations. Efforts such as SEDL's Promising Practices serve not only to share these ideas, but to ensure documentation.

RSSI Staff

Marianne B. Vaughan — Group Director

Dr. Vaughan holds a Ph.D. in Educational Administration. She has taught in public schools at all levels, served on the staff of a state department of education and an intermediate education agency and served as a consultant in instructional television and special education. She has broad experience in the development and dissemination of education research, publications, and reports, and has made numerous presentations throughout the country on a variety of education topics.

Gayla H. Lawson — Senior Training/Technical Assistance Associate

Dr. Lawson holds a Ph.D. in Educational Administration. She has been a consultant working with 99 school districts in staff development for improved instruction and administration. Besides teaching at all grade levels and coordinating programs, she managed a retail chain in the private sector.

Donald E. Mackenzie — Evaluation Associate

Dr. Mackenzie holds a Ph.D. in Social Psychology. His career includes experiences as project coordinator, lecturer, consultant, and instructor in such areas as research, evaluation and data collection, and instructional support programs. Dr. Mackenzie is the author of many publications and research reports.

Maria E. Torres — Training/Technical Assistance Associate

Mrs. Torres holds an M.A. in Educational Supervision and has earned extensive credit hours beyond the Masters in Mathematics Education and Educational Administration. Among her professional responsibilities, she has served as a classroom teacher at all public school levels, reading supervisor, staff development specialist, and superintendent.

Resources Available from Southwest Educational Development Laboratory's Rural, Small Schools Initiative

Developing ET's: Effective Thinking for All Learners.
A Cadre Training Manual, Fall 1988. Contains materials developed from Year One and includes sample lesson plans related to TACTCS for THINKING, (Marzano & Arredondo, 1986).

Goals Met: A Manual for Effective Training
Fall 1988. Contains resources for each component of a systematic staff development process model and includes materials and activities for a sample training session designed to incorporate practice and peer coaching/mentoring. (Draft)

Promising Practices: Programs, Partnerships and Professional Development
December, 1988. A result of Year One efforts, this publication identifies five practices per state that show promise for rural schools within SEDL's five-state Region.

Southwest Educational Development Laboratory 211 E. 7th St. Austin, TX 78701 (512) 476-6861

Testimony by
Don Blankenship
Superintendent of
Seagraves Independent School District,
Seagraves, Texas,
before the
Conservation, Credit, and Rural Development Subcommittee
of the Committee on Agriculture
of the U.S. House of Representatives

August 9, 1989
Amarillo, Texas

Each year since 1985, more than half a million rural residents in this country have packed up and moved to the city, usually in search of jobs.

Rural populations have been ebbing for decades, beginning with the mechanization of farms. Communities have tried to replace farm jobs with manufacturing businesses, but international competition from lower-wage foreign companies has now pulled the plug on that alternative. Deregulation hasn't helped either, as the loss or deterioration of rail, truck, bus, airline, and communication services have left rural communities more isolated than ever.

The picture is of a rural America that is losing on every front: population, businesses, jobs, services, and spirit. The trains don't stop, Main Street is empty, and high school graduation is a bus ticket out of town. We are losing something precious and vital in America. And the label of hope is "economic development." A key to unlocking this hope is to harness the interdependence of institutions and approaches — of which the education system is a vital part.

First of all, federal help is absolutely necessary. But rather than turn back the clock by trying to stimulate an agricultural economy or re-create the web of regulations, subsidies, and protections that have supported rural America in the past, federal policy must concentrate on helping rural communities build their infrastructures and find their own ways to compete in a new economy.

Rural America must shift from dependence on production of low-value, high-volume goods like grain and simple manufactured goods — but to what? Probably no one knows for sure. High tech manufacturing and services have been suggested, but — because of the rapid advances of technologies — the future is increasingly difficult to project. But whatever opportunities lie behind the veil of the future, rural America will re-

quire an improved infrastructure of transportation, communications, social and health services, and particularly education. The basis for rebuilding America's rural economies will be human capital, and systems must be in place and operating to ensure the development, application, and support of that capital in an integrated, coordinated way — getting the most out of every dollar invested.

Small towns can offer important alternatives for American families in the next century as urban centers become more congested and work becomes less dependent on concentrations of labor. The new economy towards which this nation is evolving will operate on a smaller scale, with more entrepreneurship and with small businesses composing an increasing share of the economy, and this will be far better suited to rural environments. And in a recent USA Today poll, 39% of the people surveyed said they would prefer to live in a small town (but fewer than 24% do, according to U.S. Census figures). The difference is in opportunities for employment and access to essential services — education plays an important role in both.

Unless we remove the present barriers to rural America's transition — and build a few key bridges — more and more of us will find ourselves packed ever more tightly together, wishing we could move to the country.

How we confront these issues is a matter of priorities. Where do we invest our limited resources? A popular device is to pick on the Defense Department. For instance, a single B-1 bomber costs twice as much as the entire federal budget for education research. What does this say about priorities? But the priorities in rural policy can be questioned too: did you know that each American cow receives $1,139 in federal support, while each American child receives $770?

Government continues to spend huge amounts on farm programs because policymakers are unsure about other strategies to maintain the populations of rural areas, but — with only one-eighth of rural employment — farms and related businesses are an increasingly smaller part of the picture. Rural America is much more complex.

There are some 88 federal programs that can impact rural development, but these are administered by two dozen agencies. A more coherent rural development policy will be necessary if we expect effective impact, and this will have to include better coordination among the agencies involved — both in Washington and at the local level where programs are implemented.

An important example of the potential of a coordinated approach lies in the central position of the public schools in rural

communities. Indeed, public schools are at the symbolic core of most rural communities, their boundaries often defining the limits of the community itself and their facilities serving as a crossroads for community life. More than symbolic are the schools' roles as important actors in the economies of rural communities. They serve as major employers and purchasers of goods and services; their financial assets are also available for thoughtful investments that can recirculate tax dollars.

Schools are usually identified most clearly with their role as producers of human capital — developing and certifying intellectual and career-related skills and fostering social responsibility. Unfortunately, in many rural areas this role is viewed as being an expense rather than an investment — local tax dollars financing educated citizens for towns, cities, and states that are recipients of rural out-migration. Two of the community's most precious resources, dollars and young people, are being consumed with little local benefit.

Combined with distress in local economies and an aging rural population, this perception of schools often results in reluctant financial support for rural education and an increasingly cynical view of education as a priority for the community. The schools themselves are often unable to break free of traditional

patterns and to define new, more appropriate ways of fulfilling their potential as partners in community development and renewal. That potential includes not only producing human capital that is of maximum value to and stays in the community, but also providing school facilities and other assets as an infrastructure for an expanded range of services available at the community crossroads.

To realize the full potential of the schools as part of our community development efforts will probably require a coordinated effort of both the community and outside groups:

- the community and the schools because it must be *our* effort and it must address *our* needs and the must be accomplished within the bounds of *our* capabilities

- outside groups, such as land grant universities and regional educational laboratories, because they have studied the issues involved, developed and tested innovated approaches, and have expertise in building networks and coordinating programs that serve such diverse interests and concerns.

The Committee has heard proposals that would provide modest federal funding for programs that feature such partnerships, and I, as a rural school superintendent, endorse this approach as one that would hold promise for my community and for others like it

Thank you.

PROMOTING REGIONAL INDUSTRY, DEVELOPMENT, & ENHANCEMENT

A COMMITTEE OF NUCLEAR WASTE TASK FORCE, INC.
BOX 552 • 808 S.W. 2ND • TULIA, TEXAS 79088 • (806) 995-4652

TESTIMONY BY DELBERT L. DEVIN
BEFORE SUBCOMMITTEE ON
CONSERVATION, CREDIT, AND RURAL DEVELOPMENT
THE HONORABLE GLENN ENGLISH, OKLAHOMA, CHAIRMAN

Mr. Chairman, Distinguished Members of the Sub-Committee:

Thank you for scheduling this hearing in Amarillo and for allowing me to make a few comments on the needs of our part of rural America.

My name is Delbert Devin. I am chairman of a committee of the Nuclear Waste Task Force entitled, Promoting Regional Industry, Development and Enhancement (PRIDE). When Congress determined in December of 1987 to drop Deaf Smith County from further consideration as a high level nuclear waste repository site, the Nuclear Waste Task Force, a coalition of twenty-two organizations of religious, agricultural, sportsmen, and social concerns, determined to see what could be done to strengthen the rural economy in our area. Our approach was to first survey the existing conditions and determine needs and dreams of the people in the rural counties.

Since our funds were severely limited, we have primarily focused our efforts in Swisher County, and, to a lesser extent, in Randall County.

Our approach in Swisher County was to establish a coordinating committee, appropriately named Swisher County Pride. This group was carefully selected to include all towns and small rural communities in Swisher County. All ethnic groups were also represented on this committee. Ex officio members represented the

Texans Against Nuclear Dumping, Inc. (STAND)
Tulia - Amarillo
People Opposed to Wasted Energy Repository, Inc. (POWER)
Hereford - Vega
Texas Corn Producers
Texas Wheat Producers
Texas Sugarbeet Growers
American Agriculture Movement (AAM)
Women Involved in Farm Economics (WIFE)
Diocesan Council of Catholic Women (Amarillo Diocese)
Texas Seed Trade Association
Soroptimist Clubs of Texas, Inc. (SCOT)
Texas Farmers Union
District I - Texas Garden Clubs, Inc.
Church Women United of Texas
Texas Chapter National Association Social Workers
Grain Sorghum Producers Association
United Methodist Women
Northwest Texas Conference
Northwest Texas Conference

rural electric cooperative, chamber of commerce, commissioners court, industrial foundation, city manager, extension service, farm organizations, and other groups.

Swisher County Pride determined to do a county-wide audit. To accomplish this, we invited a ten member panel from the extension service, water district, university, utilities, and the Texas Department of Agriculture to serve as a hearing committee. After a visual tour of Swisher County by this committee, twenty-two panels of citizens testified briefly before this group of experts in the area of rural development. All ages (senior highs to senior citizens), all economic levels (bankers to minimum wage earners), churches, social organizations, farm organizations, federal and state agencies (local representatives), farm and ranch groups, and women's groups were available to tell the panel their problems, their dreams of the future, and to air other concerns. This encompassed a four day event concluding with a brief oral report to the community by the hearing panel. Texas Tech University economists wrote the final report and TDA printed it. Copies of this report are included for your sub-committee. Mr. Chairman, since we are discussing finances today, I wish to point out that this program was completed at a total cost of less than $1500.00 An opening meal at which Mr. Sarpaulis spoke to some two hundred panelists is included in that cost factor.

Results of this program are many and varied. A jalapeno pepper project proposal to the Food and Agricultural Council (FACS) resulted in Swisher County being designated as one of only four pilot counties in Texas for further assistance. At the present time, a feasibility study on the processing of jalapenos

grown in Swisher County is underway by the Ag Engineering branch of the Extension Service. We expect that study to be completed this month.

Five task forces of citizens were formed which have resulted in the establishment and opening of a Farmers' Market on Interstate Highway 27 and the formation of the of the Panhandle Pride Marketing Association to assist in the growing and marketing of alternative crops. New crops under production include several thousand acres of blackeye peas (seed and human consumption), pinto beans, bell peppers, onions, and cucumbers. All these crops are under contract with firms in Texas and Kansas.

Another task force is working in the area of relations between ethnic groups. Swisher County has a large number of Hispanics, and the hearing panel warned that a lack of communication between adults in these two groups was a cause for concern.

Also, a task force on ethanol production is at work. Our assessment is that expanded ethanol production fits this area like a good glove fits your hand. For this production to take place, tax breaks at the federal and state level are essential. The crying need for reduction of air pollution, and the guidelines enacted by the Clean Air Act creates a need for ethanol. Excess corn, milo, and wheat could be utilized in this production. Some preliminary studies are underway at Texas Tech on Multiple Uses of Grains on the High Plains looking to the future uses of distillers grains as both a food for humans and livestock. Steam can be harnessed to turn turbines of co-generating power plants to help reduce the extremely high cost of electricity in this area. Strong supportive legislation by Congress is essential for this

growth to take place.

Congress has a grave responsibility when you legislate in support of improved rural development. I applaud your efforts in approaching this problem. Small town , rural America must be sustained for the benefit of all Americans. The strong independent moral fiber of rural Americans provides the basic undergirding so essential for a strong, free America.

I have found that many of the funds that are labeled for support of rural development end up in an enlarged, over-staffed bureaucracy that is usually located in a large urban area. A very small per cent of those funds find their way to really support the "guys and gals with dirt under their fingernails". A reassessment of how grants are provided and how funds are disbursed is in order.

When it comes to an agency to support, oversee, and disburse funds for our rural development, I would stongly recommend our rural electric cooperatives. They have over a long period of time proven themselves to be "true friends" in rural America. They have the experience, are in touch with the needs, and are already in place and ready to go. They also class as truly rural.

Thank you for this time. I shall be happy to address any questions you might have.

(Attachment follows:)

DEVELOPMENT PROSPECTS FOR SWISHER COUNTY, TEXAS

A Report to the Swisher County
Pride Committee

Fall, 1988

The Economic Development Resource Team

Prepared by

The Texas Tech University Agricultural Economics Department

Published by

The Texas Department of Agriculture
Office of Farmer Assistance Programs
P.O. Box 12847
Austin, TX 78711
(512) 463-7679

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INTRODUCTION

The people in Swisher County, Texas, have relied on agriculture as the base for economic activity for years. The recent decline in agricultural income experienced by farmers, ranchers, and cattle feeders has placed stress on the retail, supply, and service industries in the county as well as on those directly engaged in production agriculture.

The county has lost population in recent years, mainly because the young have chosen to migrate to other areas to find employment after finishing their education. While some young families have decided to return to the local communities after working elsewhere, most have not because of the difficulty of finding suitable employment in Swisher County.

The completion of IH-27 from Lubbock to Amarillo has presented challenges to Swisher County's communities since it has bypassed them all and shortened the commuting time for shopping and other trips to the larger cities of the region. Retailers have seen their market base dwindle as residents have chosen to patronize the discount houses, mass merchandisers and large department stores in the malls and shopping strips of Lubbock, Plainview and Amarillo. No local businesses have moved their stores to new locations on IH-27. As a result, restaurants, service stations and other travel-related businesses have been bypassed.

In response to the need for a countywide development effort, the Swisher County PRIDE Committe was formed in January 1988, with Delbert Devin as chairman and Nancy Dawson, secretary. PRIDE is an acronym for Promoting Regional Industry, Development and Enhancement. The PRIDE organization decided to pattern its efforts after the work of the Fisher County Economic Development Commission published in January 1988 by the Texas Department of Agriculture. PRIDE organized 21 panels representing all segments of the county population for the purposes of interacting with a resource team of economic development professionals from industry, government and universities of the Panhandle region. The panels met individually with the team and made suggestions for county development. The team reviewed the comments of panel members and suggested further courses of action for the people in Swisher County who have the responsibility of encouraging economic development.

(The complete report is held in the committee files.)

Testimony of

Carl L. King

Chairman

American Corn Growers Association, Washington, D. C.

Before the

Subcommittee on Conservation, Credit, and Rural Development

House Committee on Agriculture

August 9, 1989

Amarillo, Texas

Mr. Chairman, members of the subcommittee, it is a pleasure for me to address you today on behalf of America's rural farming families. I am a farmer from Dimmitt, Texas and am Chairman of the Texas Corn Growers Association and Chairman of the American Corn Growers Association, Washington, D. C.

The American Corn Growers Association

I am very pleased to report to you today that after only 14 months of existence, the American Corn Growers Association represents members now in 27 states. We have state coordinators or representatives in virtually every state in the corn belt. The American Corn Growers Foundation, a purely educational effort, has received state check-off money from South Dakota and Texas, and we have similar efforts underway in other states. We are unique from any other national corn organization because we represent the corn grower only, and our policies are totally constructed and controlled by the producer. We are here to stay,

and we intend to work very closely with each of you in the months and years ahead to fashion farm legislation that benefits the agricultural producers in this country.

Drought Disaster

I express our deep appreciation to you and members of the full committee in the highly competent and expeditious manner in which you crafted and passed the drought assistance legislation last week. I know that you and the Senate met late into the night last Thursday to arrive at a conference report. By passing the legislation before the August recess, you have done your part to bring sufficient and much needed aid to rural America. You all deserve to be complemented.

The Best Rural Development is a Good Farm Bill

Just because it is stated often to each of you doesn't mean it shouldn't be restated once again here: The best rural development package is a 1990 Farm Bill that puts price back into agriculture and turns more attention to the producer. This administration is insistent upon lower and lower loan rates, lower target prices, and a processor oriented export policy.

The American Corn Growers Association strongly opposes "decoupling" and we oppose the "triple base plan". We ask you to carefully analyze who it is that supports these concepts and why they support them. They are not the producers who reside in each of your districts. We do favor planting flexibility, and we want a program that allows farmers to respond as best as possible

to market trends. However, we are painfully aware that much of your decision making is, and has to be, budget driven. Our approach to this budget concern is not to spend 10 billion dollars a year to continue low prices to producers, but indeed to reduce federal outlays by managing supply so the prices don't fall below the cost of production. Even many in the EEC leadership support raising our basic loan rates. We urge your focus on higher loan rates. An effective farm program is one that establishes fair loan rates, and then effectively matches supply with demand, not only by restraining over production, but also by significantly increasing usage.

Rural Economic Development Must Come From the Grassroots

The American Corn Growers agree with other national farm groups such as NFO and AAM that believe if rural economic development is to be successful, it must be defined at the local level. ACGA is very cautious about creating another bureaucracy at USDA to tell us how to use our already limited resources. Our experience since 1980 has shown us that USDA should be legislated as little discretion as possible. We are willing to take our chances with you, the Congress, but the recent history of USDA is one of making discretionary decisions against the interests of the producer. We strongly support the extensive use of County Agents in rural development planning purposes, and further urge you, the Congress, to put detailed and frequent reporting requirements upon USDA so that Congress can judge for itself where federal dollars can do the most good for rural development.

Ethanol and the Environment

Strong and unqualified support for a major expansion in ethanol is one of the easiest, and most dramatic steps this subcommittee can take to spur rural development throughout the farm belt. The largest single untapped market in the world for corn is for ethanol and ETBE fuels as a blend with gasoline. Corn growers throughout America have much at stake in a genuine, national, expanded and viable ethanol industry. The American Corn Growers Association calls for extension and expansion of ethanol tax incentives at both the federal and state levels, and the ACGA was an early and strong supporter of the rapid and full commercialization of ETBE (ethyl tertiary butyl ether).

In both your work as members of the agriculture committee, and in your role as members voting on the floor, there are several very specific, and relatively easy actions you can take for ethanol-related rural development:

1. Urge Treasury Secretary Brady to issue the administrative ruling including ETBE in the blender tax credit. Over 75 Senators and numerous members of the House have called upon Treasury to make this ruling. It is vital to America's farmers.

2. Extend to the year 2000 the excise tax exemption for ethanol. Any extension short of that date will not provide the economic incentive for new, private sector investments in ethanol production across America.

3. Title II of the Clean Air Act ("Provisions Relating to

Mobile Sources") must be amended by Congress to provide specific incentives for the use of ethanol. We will need to use all alternative fuels to clean up the air over our cities, but ethanol should get its fair share.

These three specific and yet easy steps would provide tremendous help to rural development in the farm belt.

The Environment and Soil Restoration

Rural development must consider the present as well as the future. We must take better care of our land, and get more value for the assets our land produces.

As a critical part of balancing our supply with our demand, increasing the producer price and lowering budget outlays, we strongly support expansion and redefinition of the Conservation Reserve Program (CRP). Our environment, our profitability, and the quality of our farmland for future generations can all be better served if we are far more attentive to how our land is managed.

We need to work with environmentalists by monitoring the productivity of the balance of the cropland in the U.S. for the use of future generations by the adoption of the soil restoration movement.

I appreciate the opportunity to share these thoughts with the subcommittee on behalf of America's corn growing families.

Statement of

Louis Hinders
Canyon, Texas

I am Louis Hinders, a dairyman from Canyon Texas. In addition to my farm operations, I have been active in agricultural and community organizations over the years. I am a member of the Board of Directors of Associated Milk Producers, Inc. and President of the our Western Division which covers West Texas and New Mexico. West OK

The strengthening of the rural economy is a long term goal and problem that has, I am afraid, attracted little ongoing attention. The list of needs and concerns is long, the local resources to deal with them is too often very limited. Health care, education, housing, transportation, and public services are part of a list that seems to grow.

Much of the discussion in this area is directed at programs and policies to attract new business or large employers to rural communities. This is all well and good but I am afraid it misses the overall need. It does so by overlooking the opportunities that are here today. The surest, most effective way to spur rural development, to strengthen our rural economy, is to make certain that rural America's basic industry--agriculture--is sound and contributing to the growth and progress we seek for rural communities.

We don't have to look back to the 1930's to witness the crippling effects of a weakened agriculture. During the early 1980's, what was called the "farm crisis" saw farms foreclosed at rates unseen since the 1930's. We also saw the main streets of our rural towns

and cities depopulated as auto dealerships, banks, farm supply businesses and others closed or consolidated.

Time has passed and the conventional wisdom is that all of that is behind us. A look at a few of USDA's farm income estimates shows how wrong that is. During the five year period, 1980-1984, net farm income averaged $22.3 billion a year. $4.9 billion of that came in the form of government payments, most of that toward the end of the period with the Payment-In-Kind Program. Adjusted to 1982 dollars, net farm income for those five years ran at an annual rate of $22.6 billion.

In 1988, USDA reports net farm income was $41 billion with a 1982 dollar value of $34 billion. That is quite an improvement over the situation that existed in the early 1980's. $14 billion of that, however, came in the form of direct government payments. While we talk about rural development here today, official policy in Washington is directed at shaping farm and international trade policies that would eliminate that $14 billion. Right now that is what stands between us and the situation that existed in the early 1980's.

I am not advocating a continuation of high level direct payments to farmers. In the days of tight budgets, I know that is not going to happen. But when policy is being developed, I would hope more attention might be paid to what is being said in the country.

In the case of dairy policy, AMPI has proposed policy changes that would place an absolute cap on government costs by providing a

standby supply management program that would make producers responsible for excess costs of the Dairy Price Support Program. The administration rejected such an approach as part of the 1985 farm bill, seeking instead a policy that relied on cutting farm income. A policy that has also meant higher government costs.

We need to increase economic activity in rural America. We need to provide the means to improve health care, to maintain a strong education system, to provide the public services a technological society needs and expects. A major contributor to this must be a strong agriculture.

In AMPI, we are attempting to do our part. Associated Milk Producers, Inc. is a milk marketing cooperative owned by some 21,000 dairy farmers in 21 states from the Canadian border to the Gulf Coast. The cooperative markets almost one-eighth of the nation's milk supply, processing a good deal of that in plants we own. Today, we operate major processing plants in El Paso, Stephenville, Muenster, and Sulphur Springs, Texas. We are in the process of planning construction of a new $24 million processing plant here in the Western Division.

This is solid development. It is new investment in the area. It creates new jobs. It provides ongoing economic activity. It is accomplished by building on the area's agricultural base.

All of us here today are committed to improving the rural economy. We made this commitment when we established our farms and businesses, some of which represent generations of commitment. We

need a public-private partnership in this process in which the public sector recognizes that the policies pursued in Washington or halfway around the globe do have a profound impact on West Texas.

GREAT PLAINS Resource Conservation & Development Area Association

Statement

of

A.E. "Buddy" Cranford

Chairman

Great Plains Resource Conservation and Development (RC&D)

Area Association

Burns Flat, Oklahoma

before the

House Agriculture Subcommittee on Conservation, Credit

and Rural Development

Committee on Agriculture

United States House of Representatives

Field Hearing

Amarillo, Texas

August 9, 1989

P.O. Box 1050 • Burns Flat, Oklahoma 73624 • (405) 562-4884

STATEMENT OF A.E. "BUDDY" CRAWFORD

Mr. Chairman and distinguished members of the committee:

I appreciate this opportunity to appear before you today to discuss some of the important issues affecting the condition of rural America and actions which must be taken to invigorate our rural economy.

I am here today representing the Great Plains RC&D Area Association in southwest Oklahoma. I also want to share with you the importantce of the RC&D program across the nation.

The Resource Conservation and Development (RC&D) Program was instituted in 1962 to assist economically deprived areas to help themselves in improving their quality of life. This was to be done by accelerating the conservation development, and utilization of natural resources as well as enhancing the environment and upgrading the standard of living in rural areas. The major objectives of this program were the management and conservation of land and water resources, along with community development.

RC&D areas were authorized by the Secretary of agriculture and cover several counties. Leadership is provided by a council that represents selected organizations in the local area. Sponsoring organizations represented on the board may include county governments, soil and water conservation districts, water districts, communities, civic groups, and non-profit organizations.

Council members are composed of local citizens who may be farmers, ranchers, homemakers, bankers, mayors, environmentalists, civic leaders, and others who are interested in contributing to the solution of local issues and problems. USDA assigns a coordinator to each council who provides staff assistance to the council to help it reach its goals. The council prepares an area plan to guide the work.

The RC&D program works through these local councils who determine their own objectives and goals. They decide on priorities and seek technical and financial assistance to meet these objectives. This is the uniqueness of the program: local people making the decision as to what is important in their area rather than the federal government deciding what should be done. The RC&DF program is truly a grass-roots organization made up of local decision makers. Local people finding solutions for local problems.

In southwest Oklahoma and across the nation the RC&D program has been actively working towards solutions to improve our local communities. The RC&D programs in each area have different goals depending on the needs of their area. The goals of the Great Plains RC&D Area Association are:

* Conservation of our areas Natural Resources
* Improvement of our Rural Communities through Rural and Economic Development
* Broad Eight (8) County Planning Help to assist the public with area wide problems
* Provide Grant Writing Assistance to Local Organizations
* Information and Educational Help through Conferences and Workshops

As our board of Directors is made up of local people these goals are modified as needs of the area change. But the organizations objectives will always be to enhance and improve the economic climate of the area and conserve the natural resources of southwest Oklahoma.

RECOMMENDATIONS TO THE COMMITTEE

Increased RC&D Areas - The RC&D program is a logical vehicle for the rural development efforts of rural American. The RC&D areas receive all their direction from the local people and if rural development efforts are going to be effective they must come from the grass-roots level.

Our association has been active over the past two years developing conferences and workshops to keep our residents informed on a wide array of subjects. We have actively promoted ideas for diversification of agricultural products, grant writing for local organizations to assist with securing outside funding, business finance assistance to provide guidance to our business people and a tourism and recreation conference to inform local residents of the viability of that industry in the area.

We have joined forces with the other RC&D associations in the adjoining states and are providing grant research assistance to all of our local communities through a grant research center. This service alone can provide millions of dollars to an area and develop services that are being lost or were never available. As our federal funds continue to dwindle this service will become increasingly necessary.

As you can tell we are very flexible in what we can accomplish. This flexibility comes mainly from our "grassroots" decision making and the nature of our association.

RC&D areas are scattered across the country and are there because the local people requested their formation. Additional areas have made applications to form an RC&D area but due to limited funding they ave not been able to develop. I strongly urge the committee to look into the possibilities of increased funding to open additional RC&D offices across the country to assist with rural development needs of our great country.

Funding for Water Quality - The issue of water quality is finally beginning to gain the attention it has always deserved. In southwest Oklahoma we have always realized the importance of this, our most important natural resource and hope to see strong support from Washington in its protection.

The protection of our ground and surface water must be addressed for everyone's benefit. The need for regular monitoring of contaminants either natural or synthetic is here to stay.

In our area alone there are frightening numbers of our aquifers that are contaminated through oil-field drilling activities, nitrate contamination and other contaminates. We must set a course to protect our water supplies if we expect to be successful with rural development.

Rural water districts are assisting the rural communities effected with contaminated waters, but they cannot feasibly cover all areas involved.

I believe this may be the most important issue that the committee can review. I hope the needed funding can be directed towards this extremely critical issue.

Support for long-term, intergovernmental, multidisciplinary regional planning for:

Health Care	Solid/Industrial Waste
Government Operations	Transportation
Infrastructure	Long-Range Planning

Consideration of rural development objectives cannot forget the need for regional planning services in every area. The regional planning districts which now provide numerous services to the rural communities need to be utilized to assist rural areas with planning needs and the delivery of services to the public.

The Great Plains RC&D Area Association shares housing with the local regional planning district in our area. We have found them to be one of the most beneficial organizations to the rural development plan. This partnership has allowed for many successes that would not have been possible otherwise. These organizations also have the benefit of being locally directed. A local policy making organization such as this can be a vehicle for the majority of community services needed in an area.

Develop capital funding mechanism for rural areas - There is a great need for start up funding for local use. Implementation of revolving funds or other means of local financial assistance could be a great boost to local economics. The funding options currently available for local entrepreneur projects are very limited and often are too restrictive on the amounts. Many times small amounts of money are needed to get a business started in a community but this is not available through current programs.

A funding program set up to be administered locally could provide limited funding necessary to stimulate the development of new businesses in an area. This could reduce the amount of time necessary to secure money and red tape which often found in government programs. The RC&D area association has worked with numerous individuals trying to start up businesses which have ran into these problems and eventually gave up on their plans.

We know that local funding options in our area would be a great boost to our people and feel that this would be true across the country.

Federal support to rural areas on a proportional basis - Rural areas are not currently receiving an equitable share of services in such areas as Small Business Administration loan and grant programs, medicare repayments to health care facilities and even military contracting. We hope that the committee will look into these areas so as to give the rural areas at least the "fair share" that they so desperately need.

Agricultural Diversification - There are numerous opportunities with agriculture to introduce new crops into production or to utilize existing crops for new uses. Research needs to continue into new crops suitable for consumption and also for industrial use. Financing will need to be available as the majority of lending institutions are unwilling to lend money on a new and "different" farming enterprises. We believe that diversification of our agriculture products will allow our people to better hedge against the ups and downs of the marketplace and will allow them to not have to put "all their eggs in one basket".

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you today. I support and appreciate the leadership you are showing in addressing the important issue of rural development. We will assist you in any way possible to assist our rural communities to grow and once again be strong.

Thank you.

(Attachment follows:)

Because of the local input in RC&D's more local needs for Rural Development can be addressed. Part of the funding for Rural Development can be raised locally, but some low interest loans can make these projects realistic.

Loan funds from FHA can be used more effectively by giving RC&D the authority over these loan funds.

1. Rural Community Fire Protection
2. Soil and Water Loans-Direct
3. Soil and Water-Guaranteed
4. Watershed Protection and Flood Prevention
5. RC&D Loans

To: House Agriculture Committee
Sub-committee on Conservation, Credit, and Rural Development

From: Paul Hunter, Parsons, Kansas, Secretary, National Association of Resource, Conservation and Development Councils

Thank you for the opportunity to appear here today.

I serve as secretary of the National Association of Resource, Conservation, and Development Councils, an organization formed less than two years ago. We represent the 189 RC&D areas now active in 49 states. I also am serving my tenth year as president of Southwestern States RC&D Association. Our membership includes 32 active RC&D areas and 17 application areas in six states.

Most of our RC&D councils have been leading rural development efforts in their areas for from ten to twenty-five years. In that time we have been able to provide the leadership, the technical, and sometimes the financial help to rural communities to bring improved water supplies, sewer systems, recreational facilitiies, and other amenities which enable these communities to attract new industries, retain and expand existing industries and to make more efficient use of their areas resources. In so doing, these communities have been able to slow if not stop the migration of people from those rural areas to the already over crowded cities.

Our program has proved to work best in two ways: as a catalyst to help bring about needed changes, and as an umbrella group to bring together the many sources of technical expertise and funding necessary to make progress in rural development in our areas.

For most of the twenty years I have been involved in RC&D we have been faced with attempts by the various administrations to phase out the program. Only with the help of our many friends in Congress has phase-out been prevented.

Now it appears the 1990 appropriations will contain a modest increase in RC&D funding. We thank you for it. Perhaps now we can use our energies to bring about rural development, not in fighting phase-out attempts.

The strength of the RC&D program is in its grass-roots approach. We are local people of very diverse backgrounds and interests working together to identify local problems and find solutions to those problems with very limited assistance and no dictation from the federal government.

As this committee considers rural development legislation, I urge you to provide for expansion of the RC&D program to those rural areas where it is not now available, and to make RC&D the umbrella agency for coordinating all USDA rural development efforts.

Thank you.

AMERICAN AGRICULTURE MOVEMENT OF TEXAS, INC.

GARVIN THORN
Sec.-Treas.
HCR-1, Box 144
Friona, TX 79035
806-365-3437

DON KIMBRELL
President
HCR-2, Box 95
Happy, TX 79042
806-764-3484

Testimony of

DON KIMBRELL, TEXAS STATE PRESIDENT

AMERICAN AGRICULTURE MOVEMENT

Before the

Subcommittee on Conservation, Credit, and Rural Development

House Committee on Agriculture

Field Hearing in Amarillo

August 9, 1989

Mr. Chairman and Members of this committee, thank you all for your concern and dedication which brings you here for the first of several field hearings. It is my sincere hope that these hearings will help in bringing about meaningful legislation that will help in revitalizing rural America.

I am Don Kimbrell and I am currently serving as Texas State President for The American Agriculture Movement. I am a family farmer from Happy, Texas. Most of my operation consists of wheat and cattle.

There is probably no one who is more concerned with the overall well being of our rural communities than the family farmers who belong to the American Agriculture Movement. When rural development is discussed the main topic seems to be how to attract new business to our rural areas or how to funnel in more State or Federal money. We do believe that these things are worthwhile; however, one deep concern of ours is that many times the very industries that attracted the people who settled and built our rural communities, towns and even cities are ignored. Those industries always related to some raw material, in our rural areas - agriculture, oil, or mining.

Today I want to address agriculture. We believe that if we returned to the National farm policy that worked so well in the 1940's many of the problems in our area would soon be solved. Policy over the past several years has been to keep raw agricultural products priced low enough so that we can have cheaper food and export more. This policy has cost all of America more than almost anyone realizes. Please bear with me as I list some of the advantages and disadvantages of this type of policy.

Advantages: Cheap food? More exports?

Disadvantages:

1. Bankrupted and driven good family farmers from the land.

2. Made many of those remaining tax recipients rather than tax payers.

3. Reduced buying power of the largest single sector of our economy, agriculture.

4. Resulting in loss of business in our rural communities.

5. Resulting in loss of jobs throughout the nation.

6. Held down prices in other developing countries causing them to default on loans made by the U.S.

7. Held prices low for export to the U.S.S.R. and China allowing them to spend more on weapons rather than food which they must buy.

This only touches the disadvantages of failed Agriculture policy of the past several years. The ripple effect of these disadvantages threatens our national well-being as well as rural.

We believe that if we are to rebuild our rural and national economy we must return to a sound national agriculture policy. The main ingredients in good policies that served America so well in the past were:

1. Supply management.

2. Loan rates set for enough above cost of production so as to bring prices in the market place to a profitable level.

Such a program would certainly reduce exposure to the federal budget and help to rebuild our rural areas and the nation as a whole.

I respect the positions that you hold very much. Realizing that your time is very valuable, I very sincerely appreciate this committee being here today.

Mr. Chairman: (Cong. English)

I am Terry Detrick, Vice-President of Oklahoma Farmers Union and representing our 100,000 plus membership.

It is indeed an honor to be shared by all Oklahomans in the 6th District to have you representing us as Chairman of the House Agriculture Sub-Committee on Conservation, Credit, and Rural Development.

Rural Development is indeed one of the most urgent concerns pertaining to the future well-being of Oklahoma and Rural America and I want to thank you for the attention you are giving it.

In my remarks which will be brief, I would like to address 2 major categories. Economic & Social.

Economically, we know that the surest, most permanent, and sound way to rebuild rural America is to put stability back in agriculture. Prices are part of it of course, but not all of it. Long term continuity is also important. How can we plan when even those administering the program do not know what is happening from one crop to the next. When 25% of the farmers are at poverty level income, and 31% of farm workers, the businesses through which they do business cannot prosper. When our backs are against the wall and we can't afford to buy service, then we move toward Super-Market type buying in cities away from our home-town, thus eliminating the hometown business and the service people employed by it.

This migration has been encouraged by current farm policy.

Much concern has been voiced over Rural Health Care and rightfully so and there are many different problems but the first thing to remember is that empty hospital beds and empty doctor's offices do not make a profit. The exodus of rural community people by the thousands is probably the single most important factor contributing to this situation.

We need to make readily available to rural communities resource people &/or groups which can furnish expertise in feasibility studies and development potential.

We must put emphasis on placing value-added industries in our rural communities. Home grown products by the millions of dollars worth are being shipped into urban areas and here in Oklahoma they're being shipped out of state and then coming back at many times the value.

With lack of any jobs for the younger generation there is nothing for them to work at while they ease into the family agriculture operation. Consequently, they go elsewhere for a job, set down roots, and never return. Another family farm is extinguished and businesses in the small town lose again.

So much for economics, what about the social impact.

Millions of people throughtout the U.S. are searching for the socially healthy lifestyle that is available to them in rural communities if there were only jobs, health care, and education. Satellite and telecommunications must be coordinated through grants and/or incentive programs to provide rural America with good education.

Yes, Rural Development is more than brick and mortar. It is also health care, education, human resource development, venture capital, transportation, and telecommunication.

The rural society as we know it today is a society of neighborly, hospitable people, a society of good moral character and ethical standards, a society not dependent on drugs for existence, a society which is the breeding grounds for the leaders of tomorrow and a society which provides food for all societies. Without Rural Development, this rural society will become an extinct society. We go to great limits to protect rare species of animals. Let's set as top priority the duty of protecting and rebuilding Rural America for Rural Americans, a rare species.

TESTIMONY: TO SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT, THE HONORABLE GLENN ENGLISH, OK, CHAIRMAN.

SUBJECT: ENERGY CONCERNS IN THE RURAL SETTING.

PRESENTED TO SPECIAL PANEL SESSION OF THE SUBCOMMITTEE HEARING, August 9, 1989.

The cost of energy, and its sometimes limited availability had a severe impact on rural economies in the 1970's. Although energy supplies have been generally adequate during this decade, the fact that shortages can recur is of continuing concern. The continuing upward climb of average energy costs, however, continues to place a burden on all, and particularly on those in rural communities who must use large quantities of energy in pursuit of their livelihoods. Since the produce of the rural sector is largely food and fiber, it is in the material interest of us all that the ability of that sector to continue to produce is maintained and expanded. It is of even greater importance, however, that the rural sector survive and prosper because of the unique and essential contribution its people make to the well-being of this nation and its culture.

In general, energy in the various forms marketed is produced and distributed by very large systems, some of which are on a world scale. Few in the rural sector are ever in any position to bargain for price. Nevertheless, rural America has the potential for and often does supplement its energy budget with local energy resources. Most of these resources are non-depletable or are soon renewed in nature, and are of a kind that pollute either not at all, or far less than those kinds now consumed on a large scale. Moreover, the most important of these can be utilized in ways that make trivial demands, at most, upon other critical resources such as water. And for many other reasons too obvious to mention, vital interests, both of the rural sector and the rest of the nation, would be advanced by programs that would increase both the extent and efficiency of the utilization of such resources. In fact, some indigenous resources are intensive enough that rural areas could produce energy surpluses for use in other sectors of the economy.

Although rural Americans are resourceful, innovative, and well-motivated, progress in the utilization of indigenous energy resources would come much more rapidly if they had continuous access to the appropriate technological and educational resources. This idea teased some thinking during the late 1970's and early 1980's, but it mostly dissolved within the notion of having specialists develop the desired technologies and devices - usually far removed from the site and people for which it was intended. The idea of a statewide energy information and assistance service enjoyed a somewhat better fate, but funding priorities lay elsewhere. A limited version this service still exists in Texas, but its funding is no longer from a Federal agency, nor is that funding matched to the task by any standard.

Such programs are clearly needed, but the rural community also has a real need for well-conceived, well-planned, well-executed projects that will increase its command over local energy resources. I propose that a national program be worked out wherein projects of this kind can be accomplished in partnership arrangements between appropriately selected rural participants and institutions and/or organizations actively involved a kind of research closely related to the rural need. Because of wide variations in conditions in the many rural regions of the U. S., these projects will have the best chance to succeed if they are designed to be region specific.

The Great Plains region east of the Rocky Mountains has long been identified as a region visited by strong and dependable winds. At the onset of energy problems in the early 1970's, a considerable interest arose in the possibility of harnessing sizable fractions of this resource. In 1974, the Governor's Energy Advisory Council of Texas made funding available to West Texas State University for the Department of Physics# for an estimate of the magnitude of the wind resource in Texas. This study, conducted by Nelson and Gilmore, made use of all the available data from 16 National Weather Service Stations in Texas, and from a few other stations in Louisiana, Oklahoma, and New Mexico. The estimate for the state gave an average power of 250,000 MW(e), on the assumption that half the windpower potential might ultimately be utilized. The Texas Panhandle accounted for about 100,000 MW(e), or 40 percent of the total for the state. This figure is the energy equivalent of 530 million barrels of oil. At $0.05 per kWh, it would have a value of $44 billion. In 1974, the total installed electrical generating capacity for the state was approximately 40,000 MW(e). It is patently clear that the windpower resource in the Texas Panhandle and its general vicinity is not trivial. Moreover, the solar resource is roughly 250 times the magnitude of the wind resource.

The Alternative Energy Institute was established at West Texas State University in 1976 for the purpose of advancing the study of and expediting the utilization of the wind resource particularly in the Great Southern Plains. Study of the solar resource has been generally held in abeyance because funds have been short.

Windpower research during the past two decades has revealed the principal technical and economic problems of windpower utilization. Wind is a variable energy resource that is not available on demand. Despite the efforts of some of the most renowned aerospace corporations in the U. S., the technology required for producing highly reliable wind turbines has not yet been adequately developed. Some small manufacturers with modest to no government support have come much closer to a solution of this problem. Cost comparisons with electrical energy generated from other resources cannot be realistically made until the technology is somewhat further advanced and until the manner in which the federal government provides economic incentives of many kinds to the various existing energy industries is better

understood.

Wind generated electricity has some compelling advantages, one of which consistently escapes mention in comparisons with conventional generating systems. Wind energy is non-depletable. The wind turbine produces no pollution in the process of producing electrical energy. Rarely mentioned is that generation of electrical power from wind makes no demand on water resources. In contrast, the generation of each kWh of electrical energy in fossil fuel plants requires that from one-half to one gallon of water be evaporated and lost to the atmosphere where pass through cooling is impractical, which is the case at most power plant locations. Nuclear plant water requirements are roughly double those of fossil fuel plants.

The most widely distributed and available form of indigenous energy resources is radiant solar energy. The rural sector is essentially its sole recipient. Some auspicious beginnings were made in the late 1970's and early 80's in advancing the utilization of this resource, but these efforts were largely discontinued and the results partially erased by the euphoria generated during the moderate easing of the energy situation in the mid 1980's. A recommitment to this task in programs that emphasize small and medium scale cooperative efforts between our rural citizens and those who have the appropriate technical and scientific knowledge would provide a stimulating and revitalizing influence in rural America.

In summary, the principal indigenous energy resource of rural America is solar energy. Solar energy is manifest in radiant form, in the form of wind, and in the biochemical processes that lock solar energy into chemical compounds. Steady pursuit of the knowledge of how to utilize these forms of energy efficienctly, safely, and beneficially in the tasks that rural America must perform will be the most effective way to help secure rural America's energy future. The Alternative Energy Institute, and most surely many other similar research groups and cooperatives, stand ready to play a strong supportive role in the task of assisting rural America in its return to economic health.

Respecfully submitted,

Earl H. Gilmore

Earl H. Gilmore
Profesor Emeritis
West Texas State University

CHC Community Health Center
BOX 406 • WAKITA, OKLAHOMA 73771
PHONE 405/594-2292

August 28, 1989

Honorable Glenn English
U. S. House of Representatives
Washington, D. C. 20515

Dear Glenn:

Our Community Health Center in Wakita has had a good year, which should give us reason for optimism about the future. However, we are confronted with new problems.

The nurse shortage is a problem beyond our control with little chance for quick solution. We are joined in the competition for nurse staffing, and we want you to know of our plight and that we support efforts on all fronts to help supply this critical need.

Another problem that we hope to solve through administrative appeal is a determination by Medicare inspectors that CHC Hospital must hire at least 4.2 full time equivalents of licensed nursing help to stand by as backup for our Registered Nurse on those infrequent occasions when someone comes to our emergency room. We intend to make certain every patient in the ER as well as every inpatient receives appropriate care. But we are convinced this can be done in our particular case without the overstaffing suggested by HCFA.

We remain hopeful about the future. The past year has clearly demonstrated the need exists in the community for all CHC's services, including the hospital, and that the center's operations can be self supporting... so long as costs are not boosted out of sight by regulations ill designed for our type and scale of rural healthcare services.

With appreciation for all your efforts on behalf of rural healthcare, I remain,

Sincerely,

Feller Green
Chairman, Board of Directors
Community Health Center of Grant County

Enclosure: Report

(Attachment follows:)

Community Health Center

Report To

Congressman Glenn English

Of Grant County

Prepared by
Bob Miner
CHC Administrator
August 25, 1989

Community Health Center
P.O. Box 406
Wakita, Oklahoma 73771
Phone 405/594-2292

1. Hospital Nurse Staffing Requirement

CHC Hospital is Oklahoma's smallest, licensed for seven beds with an emergency room. The hospital has an X-ray department, laboratory and outpatient services. It is part of a comprehensive facility that includes a medical and dental clinic, 47-bed ICF nursing home and several retirement apartments. Together these comprise the Community Health Center and are housed together in a modern facility designed by the University of Oklahoma Medical School and built in 1968.

We staff the hospital with one full time Registered Nurse 24 hours daily, and this position is dedicated solely to the hospital with no responsibilities related to other areas of CHC. Our policies provide for additional assistance for this RN whenever the patient census and acuity of care needed by hospital patients warrants added help.

For 21 years this arrangement has allowed this RN to provide and/or supervise inpatient care while also covering the emergency room ***without adversely affecting the care of any patient.***

Now Medicare says we must have a second licensed nurse (RN or LPN) in the hospital, which would nearly double our nursing costs, just to provide skilled backup on the floor for the present RN during those infrequent and usually brief instances when someone comes to the emergency room.

Our ER is in use less than 2% of the time, and we have policies and provisions to assure patient care on the floor of the hospital during those times. In the year ending June 30, we had 204 ER visits, or 17 per month. Over the past 90 days (which averaged 19 ER visits monthly), the mean time between emergencies was 5.8 days on the 7am-3pm shift, 2.6 days on 3pm-11pm, and 18.4 days on 11pm-7am.

Our hospital has just responded to a recent Medicare inspection with a request for approval of our present time-tested system (correspondence to Dr. John E. Ward, Oklahoma Department of Health, August 24, 1989). We would not have made this appeal if we felt the present staffing level could not provide excellent coverage for both the floor and the ER.

If the final decision is negative, it will probably force elimination of a valuable healthcare service this rural area has worked dilligently to establish and maintain. And without either the ER or the acute care hospital, it would be increasingly difficult to hold the health center together and continue providing other services.

If the initial verdict is negative, CHC may seek your assistance in appealing to higher levels of the Medicare organization.

2. Nurse Shortage for Hospital

Though our nursing requirements are minimal, the shortage has affected CHC Hospital dramatically in the past year. It poses immediate problems now both in staffing to cover the schedule and in budgetary planning.

Even with just one Registered Nurse covering our hospital, we need 5.0 full time equivalents (including vacations, administrative duties, etc.). One year ago we had seven RN's, including several who were part time; we just managed to cover the schedule. Today we have four (April-July it was three), and these represent only 3.0 FTE's.

Last spring CHC increased its RN pay an average of 25% to be competitive with other hospitals in northwest Oklahoma. Based on data published in January 1989, we were $1.00 above Enid hospitals in starting pay for RN's. Still . . . no response. We've advertised in thirteen newspapers. Our modest display and straight classified ads have been buried in the avalanche of nurse wanted advertising.

Our hospital has become dependent on nurse agencies, but the cost is prohibitive ($26-33/hour) as a permanent solution. Additional recruitment efforts and incentives appear to be dictated. Nurse pay scales can be raised until eventually they attract some applicants. But how much is necessary? Another 25%? 50%?

Aside from this absurd pressure to increase nursing costs, CHC has fared well in the campaign to provide healthcare services at reasonable prices. "Rural healthcare . . . at ANY cost" is not the answer!

We want you to know the nurse shortage is real in Wakita, Oklahoma,

and

it is adversely impacting cost containment in a MAJOR way!

P.S. If you know of any RN's or LPN's looking for a good job in a nice small community with an interesting multifaceted health center, our number is 405/594-2292. *THANKS!*

3. Nurse Shortage for Nursing Home

The shortage described for CHC's hospital has also afflicted the nursing home. Two full time equivalent Licensed Practical Nurses are required presently, and CHC has become dependent on nurse agencies to meet this requirement in recent months. This acute shortage developed despite an increase April 1 of 15-20% in pay for LPN's.

After extensive advertising, we were successful in recruiting one LPN, but after three months, she left for another state. Our current dependence on agencies boosts nursing costs (LPN's and aides) for the nursing home by another 15%, from $160,000/year to $185,000.

This dilemma seems small in comparison to the challenge of meeting the staffing requirements of OBRA '87 which become effective October 1, 1990. Then we will need 1.4 Registered Nurses and anadditional .8 LPN's (for a total of 2.8) to provide round the clock licensed coverage with an RN on shift 1 daily. (To provide for vacations and sick leave, the requirement will actually be greater.)

CHC will make all reasonable efforts to provide the specified staffing requirements! However, our recent experiences in recruitment suggest that this may prove most difficult.

The Medicare amendments of 1987 provide for a waiver in certain instances where a long term care facility cannot provide coverage despite sincere efforts to do so including offering the area's prevailing wage.

Though CHC would hope to succeed in recruiting sufficient licensed staff prior to Oct. 1, 1990, we are concerned about the availability of such a waiver provision. It is our understanding that certain interest groups have lobbied the Health Care Financing Administration to develop waiver regulations that might be unduly restrictive. This could confront some facilities (many of them rural) with an insurmountable obstacle, thwarting the apparent intent of the legislated waiver provision.

ROBERT H. HENRY
ATTORNEY GENERAL
STATE OF OKLAHOMA

August 8, 1989

Congressman Glenn English
2235 Rayburn Office Building
Washington, D.C. 20515

Dear Congressman English:

The purpose of this letter is to express my strong support for the Rural Partnership Act of 1989 (S. 1036).

As you are aware, our state's rural economic base has been in decline over the past decade. Rural businesses in Oklahoma have been closing at an alarming rate. As I travel through our state, boarded store front of once thriving businesses testify to this heart breaking decline.

Government at all levels, federal, state and local, should recognize the inherent social and economic value of rural life to this nation. Prosperity in large cities alone does not insure that the United States will prosper in world competition. The declining economic base of rural America too long ignored by government is a serious problem which needs to be addressed for the health of our country.

I am deeply concerned about the crisis in rural Oklahoma as the shrinking economic base has created reductions in the quality of health care, education and other essential services. I believe the Rural Partnership Act of 1989 is a long step in the right direction. Oklahomans are proud and grateful for your leadership in the war on drugs and are also deeply appreciative of your leadership to ensure passage of this Act.

Sincerely,

ROBERT H. HENRY
ATTORNEY GENERAL

RHH/bk

ROOM 112, STATE CAPITOL, OKLAHOMA CITY, OKLAHOMA 73105 (405) 521-3921

Oklahoma Travel Industry Association
P.O. Box 18186
Oklahoma City, Oklahoma 73154

Robert Hinton, Chairman

THE ROLE OF TOURISM IN THE REVITALIZATION OF RURAL AREAS

Decline in the oil and gas industries and family farming is changing ideas about rural development. There is a rapidly growing awareness that economic diversification is essential to rural revitalization.

Conditions existing in rural America go beyond the local economic environment. Rural America is impacted today by a global economy which is forcing all industries to adjust. These adjustments require long-term structural changes which place the economy of rural America into the direct consideration of international trade policy, currency exchange rates, deregulation of transportation, banking, communication and reorientation to a service economy.

Simultaneously, there must be a realization in rural America that tourism is a legitimate, although often misunderstood, economic development strategy. The tourism industry is a source of job opportunities and income, and a generator of federal, state and local tax revenues. In 1988, Oklahoma received $2,812,484,000 in revenues from travel expenditures which supported a payroll of $594,507,000 and generated 54,444 jobs. Travel spending produced state tax revenues of $113,151,000 and local tax revenues of $50,619,000. The federal taxes collected totalled $169,600,000, to bring total tax revenue collected in the state of Oklahoma to $333,400,000.

24-350 O—90——20

The tourism industry relies on other industries such as agriculture, food processing, meat packing, construction, finance, insurance, aircraft, automobile and furniture manufacturing to provide the tourism industry goods and services it needs. Economic activities stimulate the growth of jobs and business opportunities in other industries.

Tourism capitalizes on local features such as mountains, lakes, historic sites and ethnic cultures which lack recognized economic value unless they are developed and packaged. By creating uses for these natural as well as cultural and historic resources, the tourism industry is able to convert them into income-producing assets similar to what agriculture, oil and gas industries do with natural resources provided them.

Revenues generated by tourism through travelers coming to tour destinations result in new or fresh money injected into local and state economies. As this new money is respent, it creates new realms of income and spending and increases state and local income by an amount greater than itself. Economists describe this principal as "the multiplier effect."

Much of the tourism dollar spent in the state is returned to the rural areas. Rural areas, for this report, are defined as everything outside of the Standard Metropolitan Statistical Areas; therefore, it is critical that considerations given to future rural development include tourism as one of the targeted industries for revitalization.

For tourism to be established as an economic recovery industry for the rural areas of the state, several things must occur.

First, tourism's role in the rural economic development effort must be made a part of federal policies. The lack of a policy at the federal level will result in sporadic and inconsistent development of our rural areas and failure to accomplish economic objectives that the state currently wishes to attain. Federal, state and local governmental agencies that impact on tourism should coordinate their efforts in rural development.

Second, rural tourism should be recognized as a major means of economic development. Currently there is an inadequate amount of public funds available for developing the rural tourism infrastructure. The greatest inadequacy that exists in rural areas of the state is transportation to and within the counties. Support is encouraged for the Scenic Byways proposal currently before Congress which would improve highway access to rural areas. Oklahoma is fortunate to have numerous lakes for recreation, but access roads to the lake areas are inadequate and need to be expanded. Airline deregulation has virtually eliminated commercial air service to rural areas. Action must be taken at the federal level to reestablish air service to secondary cities. Without adequate roads, highways and air transportation to rural areas, this barrier will continue to be a deterrent to rural tourism development.

Third, financial resources to fund the implementation and promotion of rural activities by small businesses are not available. Providing small businesses with financing to develop tourism enterprises is essential to future growth and

development. The Small Business Administration, Farm and Home Administration and other public financial institutions should be encouraged to fund tourism activities in rural areas. The Community Development Block Grant Program should be changed to emphasize tourism. The inadequate funding issue is focused at both the public and private sectors. More funding is needed in our educational system for programs that relate to tourism development. Currently, formal education is failing to provide educational outreach to rural areas interested in tourism development.

There is an insufficient effort among federal land management agencies to focus on rural tourism. There needs to be a greater recognition of public lands as a major rural tourism and recreation asset in determining land management objectives by agencies. Agencies such as the U.S. Army Corps of Engineers, the Bureau of Land Management, the U.S. Forestry Service, Bureau of Reclamation, National Park Service and other agencies within the Department of Interior could do much to impact the development of rural tourism through a coordinated development and promotional plan for lands currently operated by the federal government. Federal policy regarding privatization of public lands for recreational and tourism purposes should be carefully considered and evaluated and, through this privatization, rural tourism development could prosper.

There is insufficient joint planning between federal, state and local agencies and between private and public sectors regarding rural tourism. Research data and information available

for rural tourism is inadequate, as is technology to transfer findings and information currently available. There needs to be a greater sharing of information among federal and state agencies with the communities about strategies, technologies and approaches to rural tourism development.

As mentioned earlier, tourism development creates jobs in rural Oklahoma. These jobs will keep young people at home and cause communities to prosper, but the labor needs are different than current industries and will require proper education and training programs to prepare workers in the hospitality and tourism businesses. Labor shortages are facing all industries and will continue to be a problem.

Employees should be retrained for tourism-related jobs, and young people and senior citizens should be provided training and opportunities to come into the market. For example, raising the Social Security earnings limit to allow senior citizens to enter the seasonal work force would be beneficial to promoting tourism growth and development. Tax credits to tourism businesses for training and retraining the workforce also would be helpful.

Primarily, tourism enterprises are small, family-owned businesses with limited capital and marginal profit potential that are required to pay large sums of money for liability insurance premiums. Federal action is needed to ensure that every business is provided liability insurance at an affordable rate; otherwise, many tourism businesses will cease operation or never be started.

Rural Oklahoma's heritage and history hold a special appeal for travelers. Therefore, the preservation and restoration of historical structures, districts and buildings is essential. To ensure that proper restoration takes place, investment incentives need to be provided communities and developers to gather the funds necessary for preservation.

Although much is being done, more effort is needed in the expansion and improvement of the natural areas of Oklahoma for recreational use as well as preserving the natural integrity of our lands. The federal government can play a key role in providing incentives in both areas.

Oklahoma's history, heritage, cultural and natural resources provide rural areas of the state with great potential for tourism development. Several options are available to Oklahoma communities and residents for commercial business development. Examples would include: guest ranches, bed and breakfast accommodations, cultural centers, theme parks, hunting ranches, fishing and hunting outfitters, water related concessions, lakeside developments and farm tour services.

A pro-active federal role in shaping the future of rural development is essential to remove existing barriers, to provide incentives and education and to serve as the catalyst for development. Tourism provides rural Oklahoma with a natural option for expansion and diversification of the rural economies and provides unlimited potential.

STATEMENT OF JACK KELSEY, PRESIDENT, OKLAHOMA FARMERS UNION
before the Subcommittee on Conservation, Credit,
and Rural Development
August 28, 1989

Mr. Chairman. On behalf of the 100,000-plus members of Oklahoma Farmers Union, I want to thank you for holding this series of hearings in Oklahoma on the timely subject of rural development.

While many are urging that consideration of rural development legislation be postponed and included within the 1990 Farm Bill, we feel that the opportunity would best be taken this year, so that this important matter doesn't get lost in the shuffle.

Oklahomans are very proud to have you chairing such an important subcommittee in the U.S. House of Representatives and we commend you and your staff for the work which you do on behalf of your district and the entire State.

Because there are others who desire to speak, I will make my remarks brief.

Oklahoma Farmers Union believes that any rural development legislation which is approved should be comprehensive in scope. Despite its mandate by the Rural Development Policy Act of 1980, the administration has not adequately required cooperation and coordination of the various rural development programs administered under various federal agencies. These programs expend approximately $140 billion annually and need to be coordinated.

OFU also believes that the social needs of rural America

must be reviewed. These include education, human resource development, transportation and communications needs. We are especially concerned about rural health care. Last year, Oklahoma lost several of its rural hospitals. Many others are on the brink of closing. The health care needs of our rural citizens must be addressed. Currently 52 million Americans either have no health insurance or their insurance is inadequate to carry them through a major illness.

Two vital links in improving the income and employment opportunities for rural citizens include providing funds for more research and education. We need research to help develop new products, new ways of processing, and ways to add value to the commodities that are being produced.

If rural development is to occur, we also need to develop a corps of experts in rural communities. This group of experts should include persons who have expertise in community development as well as entrepreneurial skills.

A rural development bill which includes these four points would be of great assistance to the citizens of our State. Such legislation, along with a 1990 Farm Bill which ensures that producers get a decent price for their commodities, could greatly strengthen rural areas. The dollar amount that farmers and ranchers spend in their rural community is most often the backbone of the town and will help assure revitalization of it.

Again, thank you for the opportunity to present testimony on behalf of our organization.

Oklahoma State Senate

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VICE CHAIRMAN
Education

COMMITTEES:
Appropriations
Agriculture
Transportation

August 28, 1989

Dear Congressman English:

RURAL AMERICA must be saved! The quality of life in terms of moral values, knowing and caring for your neighbors, being a safe place to raise your children and the learning of work ethics was what made America great originally. These qualities of life which have been America's backbone have been lost to a great degree in the large urban cities.

I recommend that we give tax incentives to Corporations which do research in communities of less than 100,000 people and or do research that develops products which will be manufactured in such communities. To support these communities, especially the ones of less than 3,000 people, we must strengthen our educational systems. Just like the REA was deemed important to get electricity to every farm home, consideration should be given to get fiber optics to every rural community that has the opportunity to have an efficient highschool. With the fiber optics, we can have interactive TV programs where one exceptional teacher can teach specialized subjects like physics in several schools at one time thus, cutting our costs for faculty and transportation.

To support and encourage educational excellence, we need to develop a system of academic bowls and even consider a national championship. Until rural Oklahomans become as excited about academic excellence as they to about Friday nite football, we will continue to fail. Athletic excellence does not support economic development. That comes only with educational excellence.

Thank you for your time.

Ed Long

Edwin Long
Senator

EL: gab

Gentlemen:

Members of this committee, and professionals who will be sorting and assembling these facts. Honorable Glen English of Oklahoma, Honorable Bill Sarpalius and Honorable Larry Combest.

My name is Lyle M. Robinson, General Manager of Swisher Electric Cooperative and a 49 years and 8 month veteran of Rural Electrification along with other qualifications to make me a voice of experience that is concerned about the Rural Economy of a large portion of the Great Plains of the U.S.A., in fact Rural America.

My primary purpose in being here today is to reason with you why the Rural Electric Cooperatives and the Rural Electric Administration should be th agencies for carrying out a program of rural development in the agricultural sector of Rural America.

On June 29, 1989, a Mr. Lawrence M. [redacted], on behalf of E.E.I. made an impassioned plea for the I.O.U.'s to be the bell-wethers for rural development. In 1935 an prior to, many people begged and pleaded for electricity on the farm. A few may have been served by buying all the line and then giving it to the I.O.U.'s when the R.E.A. act became a reality. The I.O.U.'s refused to avail themselves of the opportunity to borrow money from the U.S. Government and serve the Rural areas.

"Please do not put the fox to guarding the hen house".

Swisher Electric has only one place to buy power, and that is Southwestern Public Service Co., and they are always reminding our consumers how reasonable they are serving their customers, while they are allowed to earn 16% rate of return on their investments for wholesale power. For reference of authenticity, I would refer you to F.E.R.C. Dockets No. ER84-604-008 and ER85-477-002.

These dockets have been collecting money from Rural Electric Cooperatives for these past five years and wringing cash from agriculture during the past times of stressful operations for agriculture . It is difficult for me to see how I.O.U.'s with their high profit motives can be so sure they are concerned with Rural development of America.

Again I say "lets not hire the fox to guard the Hen House".

Rural America must develop a reasonable approach to its marketing task. Reasonable cost of energy must be available to agriculture. The I.O.U.'s are not reasonable in their approach. The task of helping Rural Development become of age can be done economically and can start immediately because we have organizations that have survived through fifty years of struggle.

They are successful because they have had to fight against great odds. With time I could give a background of deeds, not a flowery promise. Rural electric have been working on rural development, but what is needed is full acknowledgement and a directive to say the U.S.A. must not have second class an third class citizens. We must recognize that rural America is being degenerated.

I plead with you again, "do not let the fox guard our hen house".

Our rural youths are leaving our communities, and moving to the urban areas to seek employment. What a blessing to our nation to stabilize our rural communities and do our processing of products locally. Suppose 50% of our graduating class each year could be gainfully employed at home. What a difference this would make.

The local tax payers are educating our children but we do not get to keep them. They are sent to other markets for jobs.

Let the Rural Electric Cooperatives and the Rural Electrification Administration do the job. Give us the opportunity to sit down and present our plan to help stabilize rural America. We have served when no one else would. Rural Electrification is self help - Hear our plea.

Lyle M. Robinson Gen. Mgr.
Swisher Elec. Coop. Inc
Box 67
Tulia, Tex. 79088

TESTIMONY TO THE SUBCOMMITTEE ON CONSERVATION CREDIT AND RURAL DEVELOPMENT

Rural Development Field Hearings
Amarillo, TX
8/9/89

Presented by:
Prof. Forrest S. Stoddard
Alternative Energy Institute
West Texas State University
Canyon, TX

I appreciate the opportunity to address this panel. I am a Research Professor at the Alternative Energy Institute in Canyon, TX. My work is in wind turbine engineering. Seventeen years of experience in the research and development of wind turbines worldwide has led me to believe there is a compelling nascent wind turbine industry in the Texas Panhandle extending north through the entire Great Plains. Proceeding on the basis that the most successful new industries occur where natural resources, need, and expertise combine, I will present four different markets ripe for regional industry.

The wind turbine cost and performance figures used below are current values based on 12 years of research at AEI and on the 8-year old California windfarm experience. At present there are over 21,000 units in these windfarms, privately owned, selling wholesale power to California utilities, amounting to almost 3% of the total electricity demand of the state, and producing an annual gross revenue of $190 Million. This "wind energy plant" is growing at the rate of 150 Megawatts (MWe) per year, 2/3 of which unfortunately is from foreign manufacturers. The wind turbine companies located in Texas have gone out of business largely due to this foreign competition and lack of supportive federal and state policy.

In the Texas Panhandle and the Great Plains the wind speeds are lower than in the California mountain passes, but this is more than offset by the startling size of the resource area, the lack of restrictive permitting, the lower business costs, and a more positive public attitude. On the manufacturing side the Panhandle offers a large potential workforce and physical plant well able to fabricate wind turbines: metal working, fiberglass, power equipment, towers, and rotating machinery more indicative of agricultural than aerospace products.

<u>Farm Windmill</u>: There are over 60,000 farm windmills in Northwest Texas. The design is literally unchanged from the 1930's. A routine variable stroke pump developed under cooperative agreement with AEI at the USDA Bushland facility can be a simple retrofit, doubling the pump output. This represents a potential market of $15 Million.

Low Volume Irrigation: There are 510,000 low volume irrigation units (gas, diesel, and electric) in the 5 to 20 Kilowatt (KW) size throughout the Great Plains. Wind turbines in this size, pumping water at the well head in simple relief combination with these units, will reduce fuel costs by 25 to 50% depending on the site. The typical fuel savings is $2000 annually for each installation. In center pivot irrigation units the scale larger, the savings greater, and the installation easier.

Remote and Agricultural Electric Power: Single wind turbines installed on ranches conserve electric energy by displacing utility load. There are estimated to be over 20,000 farms and ranches in the high wind resource West Texas area. Each 25 KW windplant would conserve $3200 of electricity costs yearly. The potential known market is over $200 Million in West Texas alone.

Utility Windfarms: Wind turbines similar to the most cost effective California designs would have rotor diameters of 100 feet, rating of 500 KW, and would each produce 1,200,000 KW-hrs per year in the Great Plains. Based on current California values, each turbine would cost (at $700 per KW-installed) $360,000 and produce annual revenue of $72,000 based on a typical utility wholesale buy-back rate of 6-cents per KWh (the retail rate is higher).

In windfarms, groups of these turbines are installed by private capital, connected to a utility through a central substation, and then sell their output at a contracted wholesale rate to the utility. Each square mile in the Great Plains could support 100 such turbines, amounting to 50 MWe of capacity and costing $36 Million. The gross revenue would be $7.2 Million and the operation and maintenance cost would be $3.5 Million, again based on California figures. A windfarm of this type comprising only 70 sections (sq. miles) is equivalent in output to a typical 1100 MWe central utility generating plant, oil, coal, or nuclear.

Each of the above markets is attractive and competitive. Each is economic and technically feasible, or will be very soon. Each has been developed and economically proven, and each is currently routinely operating in California or in Europe.

In summary, wind power in the Great Plains is a compelling economic industry which would use indigenous resources, personnel, and capital. Export of electric power to the rest of Texas is possible, even attractive, and export of turbines abroad is a certainty. I believe wind power in any of these markets competes well on a purely economic basis; the added benefits of being pollution-free and easing the global warming burden are not even necessary. However, it is a shame to note that there are no subsidies in the US for renewable energy, whereas the historical and continuing government support and subsidy for the conventional polluting energy sources is still massive.

Statement

of

Larry Watkins

General Manager

Oklahoma Association of Electric Cooperatives

before the

Subcommittee on Conservation, Credit, and Rural Development

Committee on Agriculture

United States House of Representatives

AUGUST 23, 1989

Mr. Chairman and distinguished members of the Committee:

The members of the Oklahoma Association of Electric Cooperatives have sent a message to you concerning their appreciation of the active and in-depth leadership you are taking on the important issues relating to the condition and revitalization of our rural economy.

In earlier sessions, you have heard testimony from Mr. Bob Bergland, Executive Vice-President of the National Rural Electric Cooperative Association, concerning a specific legislative agenda which would enable the REA and rural electric cooperatives to undertake crucial tasks in the rural revitalization process. Oklahoma cooperatives are in total agreement with these initiatives and urge your total support of them.

In an era of fiscal restraint, I believe the rather modest requests for REA involvement in rural development are not only prudent, but highly cost effective. By strategically investing in incentives to encourage and allow the 1,000-member REC network to turn its expertise and professionalism toward rural development, you will be spurring an economic renaissance of historic proportions. It will be at least equal to the original economic development mission of the RECs - to help create a modern agricultural complex which is now the envy of the world.

America must address and solve its rural problem quickly. We have a host of examples of what happens when massive numbers of people are uprooted and displaced into urban settings where they do not wish to be, nor are culturally oriented to cope.

America does not need a Mexico City, or Cairo, or Bombay, where lack of opportunity has forced rural populations to flee into crowded tenements, seeking nonexistent jobs, creating blight and pollution, and overwhelming the metro infrastructure. We already have such conditions becoming a permanent condition in our largest metropolitan centers.

The lowest cost, most humane and positive answer is to create conditions and opportunities which allow our rural population to stay at home, maintain their roots and values, and apply their energies and ingenuity to increase American productivity and competitiveness.

Enabling legislation for the REA and the rural electric cooperatives is not a "magic bullet" to answering rural America's ills. It is, however, a vital component for revitalization. Similarly, modest reforms to support a strong-er, reorganized Cooperative Extension Service, adjustments in SBA policies, and policy changes in Medicare are a few examples of other reforms which, cumulatively, could allow rural people to mold their destiny in a positive manner.

Our goal today is not, however, to talk theory. We wish to report on real programs which have been initiated in rural areas and to proudly point out the results.

Our story is intertwined with programs and activities currently underway across Oklahoma. The efforts of Oklahoma RECs are aimed at serving as partners, facilitators, and Good Neighbors to the communities, counties, and regions in which we serve.

In 1987, the state legislature of Oklahoma, suffering from the massive drop in worldwide oil prices, passed an omnibus economic development bill designed to diversify an economy that historically relied upon too narrow a base.

The start-up vehicle for this bill was creation of an economic "board of directors" to oversee the Department of Commerce and coordinate support legislation as it is identified. Called "Oklahoma Futures", this board set about developing a Five-Year Strategic Plan for economic development.

Some 20 task forces were recruited. The "Community and Rural Development Task Force" had the broadest mandate, in that it had to address the rural component of virtually every facet of the overall plan.

The OAEC was one of the support organizations that facilitated the work of this Task Force. A copy of their report is submitted today as "Exhibit A". I commend this report to you as a reasoned and extremely valid set of issues and tasks which can help in the revitalization of rural areas everywhere.

As a result of the State of Oklahoma's Strategic Plan, the Oklahoma RECs at three levels - the Statewide association, distribution co-ops, and generation and transmission cooperatives - came together to design a joint five year strategic plan for REC involvement in economic development.

This REC Strategic Plan is submitted as "Exhibit B" to this committee with the purpose of illustrating how the in-place REC network can be utilized to facilitate rural development programs.

Some of the highlights of how Oklahoma's plan and the RECs' plan tend to dovetail are as follows:

Oklahoma Strategy:	Increase cooperation between communities and regions; develop leadership networks; build public/private partnerships.
REC Roles:	Local cooperative's management have become active in all development groups within their service territories; co-op meeting rooms are being offered as regional "war rooms"; co-op in-kind services to such groups include printing, publicity, marketing tools, etc.; RECs in Oklahoma have developed the capacity to provide economic development training workshops for staff and for regional leaders; we are utilizing the OAEC statewide newspaper, 235,000 circulation, to report, explain and build consensus for issues.
Oklahoma Strategy:	Develop the targeted industry approach to industrial recruitment.
REC Roles:	We are focusing on food processing/value added industries as the major responsibility of RECs within the "targeted industry" concept...our goal being to enhance income/job opportunities among agricultural producers and residents of small communities.

Oklahoma Strategy:	Assist entrepreneurs and small businesses.
REC Roles:	Our cooperatives have placed special emphasis on home-based business entrepreneurs, promoting their products/services within the REC's service area; also serving as partner with OSU Cooperative Extension in training home-based business owners in operations, marketing and expansion. We are actively exploring new approaches for delivery of SCORE (Service Corps of Retired Executives) services to home-based owners.
Oklahoma Strategy:	Fill Capital Gaps
REC Roles:	Several Oklahoma cooperatives are partipating in the formation and operation of business incubators. Our REC boards are receiving training in "investment banking", developing written investment policies; linking up with other investor/lender entities to operate or participate in pooled/revolving investment funds for business state-ups/expansions. To date, two REC pooled investment funds are operative in Oklahoma, one created by KAMO Generation and Transmission Cooperative in partnership with its distribution cooperatives and the National Rural Utilities Cooperative Finance Corporation. The other fund was created by 4 distribution cooperatives in southwest Oklahoma operating under a subsidiary known as the Great Plains Economic Development Association. Other pooled/joint funds are under study. In conjunction with the investment function of cooperatives, we wish to submit to you a training manual developed by the OAEC as "Exhibit C". It is entitled, "Investing In Oklahoma's Tomorrow: A Reference Guide to Oklahoma Rural Electric Cooperative Boards of Trustees". Our national organization, NRECA, has called this manual the model for rural development policymaking which should be reviewed by all RECs.

Oklahoma Strategy: Improve Adult Skills

REC Roles: We are providing manpower and in-kind services to help bring entrepreneur skills and expertise to local businesses. Toward that end, the OAEC and Oklahoma's Generation and Transmission Cooperatives are developing in-house training capabilities modeled after one of the hosts of this meeting in North Dakota: Basin Electric Cooperative. Basin serves distribution cooperatives in several states and has been a pioneer in developing local business support and training programs. We recommend your committee take a look at Basin's programs in depth, in order to see what kinds of support programs RECs can bring to rural areas to help them compete.

However, to give a sampler of REC-provided local training, we provide "Exhibit D", "Organizing/Operating A Community Development Training Program", a manual prepared by Oklahoma Electric Cooperative in Norman, Oklahoma.

The State of Oklahoma Strategic Plan, and that of Oklahoma's RECs, is much broader and in-depth than these few examples I have provided. However, we hope these examples show that there are ample skills, energy, and ingenuity which can be tapped if Congress designs a matrix of support mechanisms for local and state organizations to tap into.

To further illustrate the type of spirit we can release, I'd like to describe a series workshops planned for this fall in which the RECs and the state's Small Business Development Centers are partnering. The title is, "Guerilla Tactics for Rural Oklahoma Businesses". The agenda has topics such as "How To Compete With Walmart", "Mixing Religion, Politics, and Business, Or, How Understanding and Cooperation Between Everyone Can Save Your Town", "Make Your Rival Town Your Business Partner", and, "How to Bring 10,000 People to Your Town on Saturday Night."

Our theory is that training can be targeted to what's important to the folks on Mainstreet. If you make it relevant and specific, they'll pick up the ball and run with it. I can tell you personally that it works....the REC located a few miles from my home, at Lindsay, Oklahoma, has been doing these kinds of sessions for about a year now and the change of attitudes in Lindsay has been dramatic.

LEGISLATIVE INITIATIVES:

As I stated, Oklahoma rural electric cooperatives fully support the specific recommendations that the National Rural Electric Cooperative Association has made in regard to the REA.

In addition, from our perspective, we wish to suggest that you indeed view the rural agenda as a matrix of reforms among several federal programs. Included would be:

* Repeal of Medicare and Medicaid payment differentials between metro and rural medical services.

* Create a study on the methods of delivery of HUD's CDBG funds. In some cases, the original intent of Community Development Block Grants has been lost. The local decision-making component is not always present. In addition, some development programs need to be viewed on a regional, rather than county basis. The study we request would look at the appropriateness and feasibility of making rural electric cooperatives another CDBG point for fund applications. The RECs, under current REA and Congressional manadate, are charged with the delivery of development programs/funding similar to CDBG regulations. Direct blending of these funding sources would provide maximum efficiency and benefits to many development projects.

* Review of Cooperative Extension Programs to shift emphasis and funding where possible to give economic development and infrastructure programs equal weight to more traditional agricultural and home economic programs.

* Capital gains incentives for companies which make new investments in small towns and low population counties.

* Review of the Small Business Administration's policies and procedures for creating and supporting Small Business Investment Companies (SBDIC's). Currently, these firms are designed to assist in "venture" or "risk" investments in the hundreds of thousands of dollars. Our experience and research shows there is a need for a type of SBDIC which serves capital needs more at the $1,000-$30,000 range. Allow and encouraging RECs and others to form an SBDIC at this level, then providing the standard leverage mechanisms available to larger SBDIC's would greatly stimulate new business formations and expansions in rural areas. Like the turtle that lays thousands of eggs so that a few hundred hatchlings can reach the sea, thousands of very small enterprises must be nurtured in order for hundreds to survive in rural areas and upgrade economic conditions.

* Significant expansion and recruitment for the Service Corps of Retired Executives would be highly cost effective and timely. SCORE, where available, is a highly effective mentoring program. Unfortunately, it is not universally available, particularly in rural areas. This is a bit ironic since thousands of highly skilled executives are retiring annually, and many of those are choosing to retire to rural areas. This is a potent resource which is woefully under-developed and utilized.

Mr. Chairman, and members of the committee, let me emphasize that rural America is not seeking, nor wants, a massive handout of federal dollars. We have faith in ourselves and our resource base. We do need technical assistance and small amounts of strategically placed seed money to effect a turnaround.

Again, let me emphasize our appreciation and support for the leadership you are providing. We in the rural electric community stand ready to assist and implement the programs you put in place.

(Attachments follow:)

OKLAHOMA FUTURES

COMMUNITY & RURAL DEVELOPMENT TASK FORCE

FINAL REPORT
January, 1988

Distributed for public information and discussion by the
OKLAHOMA ASSOCIATION of ELECTRIC COOPERATIVES
2325 NE EXPRESSWAY
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EXECUTIVE SUMMARY

In order to arrive at goals for comprehensive economic development of rural Oklahoma, the Task Force adopted seven issues which should be addressed. The issues are listed on page 7 of this report.

From these issues, came the following goals:

1) STRENGTHEN AND REVITALIZE THE ECONOMIC COMPETITIVENESS OF RURAL OKLAHOMA.

   RECOMMENDED ACTIONS: Network Oklahoma products and Oklahoma buyers; Initiate cooperative marketing of state products out-of-state; Develop "Turnaround Teams" to assist struggling companies/retailers; Fund innovative, locally conceived economic development programs as pilot projects; Increase awareness/understanding of Dispute Mediation (community conflict resolution).

2) INCREASE THE AVAILABLE INCOME SOURCES FOR RURAL COMMUNITIES.

   RECOMMENDATIONS: Significantly expand ag-products diversification; Increase value-added opportunities on commodities; Increase marketing support for home based businesses; Develop training programs/marketing systems to assist local entrepreneurship in rural tourism--guest farms/ranches, hunting/fishing/canoeing/bicycling/hiking lodges and guides; Increase interest cap on general obligation bonds consistent with current market trends; Create Food Technology Center at OSU; Develop a highly visible Food Science Department at OSU.

3) MAKE IT POSSIBLE FOR LOCAL GOVERNMENT TO PROVIDE ADEQUATE QUALITY AND QUANTITY OF SERVICES IN SPITE OF DIMINISHING RESOURCES.

   RECOMMENDATIONS: Study how other states are solving problems in this area; Increase assistance to rural leaders in planning/solving for infrastructure needs; Network/pool resources of several communities in an area; Encourage consolidation of services such as police, fire, water, etc.; Develop comprehensive health delivery system for rural areas (seven specific suggestions are provided herein); Monitor/adjust for negative impacts of deregulation on rural areas.

4) ASSIST RURAL FAMILIES AND COMMUNITIES IN ADJUSTING TO THE IMPACT OF POLITICAL, ECONOMIC AND SOCIAL CHANGE.

   RECOMMENDATIONS: Increase assistance (through agency contracts) for Oklahoma Ag-Link's programs; Establish one-stop resource centers for elderly care, day care, as well as health, legal and financial services; Create an Oklahoma State Volunteer Coordinator to network volunteerism into the commercial/economic arena, as well as social/economic services.

5) EXPAND AND STRENGTHEN LOCAL COMMUNITY LEADERSHIP.

RECOMMENDATIONS: Expand leadership training programs provided to local communities; Review legal constraints which restrict local decision making and limit implementation of local solutions.

6) MAINTAIN THE QUALITY OF OKLAHOMA'S NATURAL RESOURCE BASE WHILE STILL MOVING AHEAD IN RURAL REVITALIZATION.

RECOMMENDATIONS: Create a one-stop permit center for environmental issues in association with rural development; Create simple, straightforward regulations in dealing with natural resources (include incentives for conservation and recycling); Identify economic uses of state natural resources, also identify proper levels of management to preserve/perpetuate these resources; Create a small land pool from farms which are liquidated in order to allow young/first-time farmers to purchase land at reasonable rates (to be designed to allow a steady flow of top agricultural graduates to have access to farming opportunities).

7) IMPROVE THE RURAL EDUCATIONAL SYSTEM AT ALL LEVELS.

RECOMMENDATIONS: Use better management systems in income derived from school lands; Raise local millage ceilings on ad valorem taxes and provide in lieu payments to counties with a high proportion of school lands; Increase dramatically the use of telecommunications in rural education; Expand number of advanced magnet boarding schools (one is planned), however, return students to their home schools before graduation (to restore/maintain local ties); Develop clearing house to exchange property, information and innovative programs between rural schools; Develop entrepreneurship programs at all educational levels; Increase programs which familiarize rural residents with foreign countries/cultures/customs; Encourage greater cooperation between the Junior College System and Vo-Tech System in answering needs of rural communities.

COMMUNITY & RURAL DEVELOPMENT

TASK FORCE

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(The complete report is held in the committee files.)

PROPOSED

ECONOMIC DEVELOPMENT SUPPORT PROGRAMS

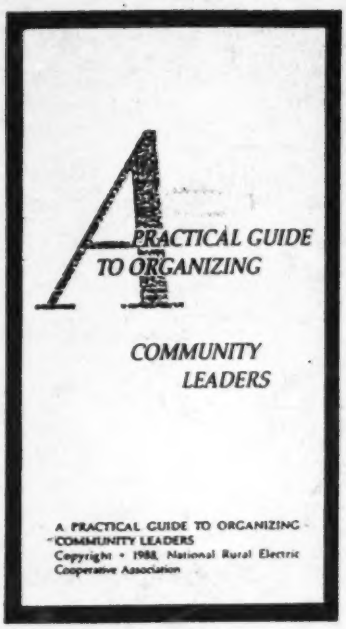
1988-89

OKLAHOMA ASSOCIATION OF ELECTRIC COOPERATIVES

INTRODUCTION

Since fall 1987, the OAEC has selectively initiated or participated in activities designed to support the master plan of rural revitalization which has been put in place through the efforts of NRECA.

Briefly, the OAEC strategy and the NRECA strategy is to utilize the in-place REC network and business expertise as a focal point for future rural development activities. Three strategic goals will be accomplished: The role and operations of the REA are protected and expanded; RECs can restore and expand power sales via economic expansion of their service territories; RECs can use economic development as a tool in gaining a broad list of concessions/reforms from local, county, state, federal legislative and agency bodies.


A PRACTICAL GUIDE TO ORGANIZING
COMMUNITY LEADERS
A PRACTICAL GUIDE TO ORGANIZING COMMUNITY LEADERS
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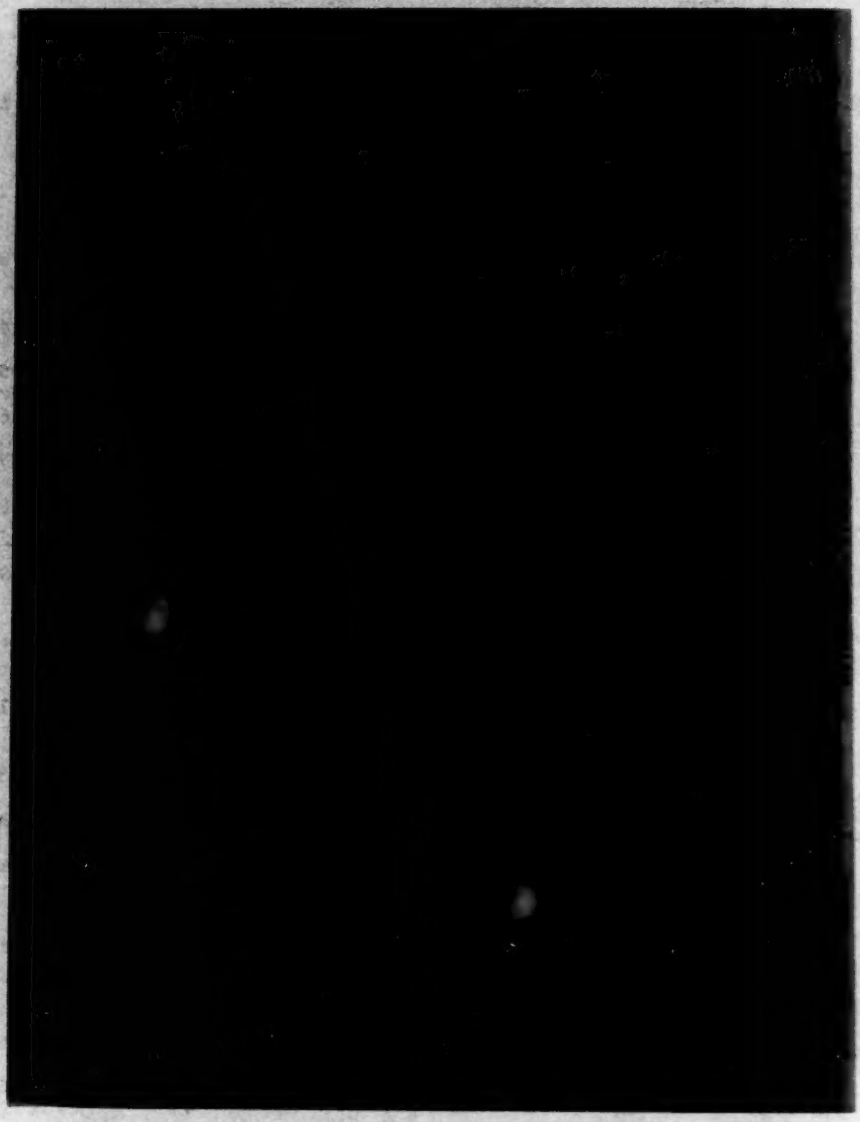
The proposed agenda of OAEC's Economic Development Program will encompass six broad categories:

1. Economic development education/training
2. Development and expansion of commercial/industrial loads
3. Marketing - rates for industry and advertising programs
4. New approaches to the legislature and key agencies
5. Investment strategies
6. Program operation

The overall thrust of all OAEC activities shall be within and under the "Good Neighbor" umbrella.

(The complete report is held in the committee files.)



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A MESSAGE TO REC MANAGERS AND TRUSTEES

Today, rural electric cooperatives have the opportunity to play a significant role in Oklahoma's economic recovery and future growth.

Congress authorized you, in 1988, to serve as investment bankers in the revitalization of rural areas. You were granted the ability to invest up to 15% of your assets in non-electric enterprises, operated by the co-op or by others. Like any typical banker, your role in rural development financing must be careful, prudent, and responsible.

At a glance, the constraints of RECs investing in rural development would seem to outweigh the opportunities. However, as you explore this subject, I believe you will be surprised at how much you can accomplish in limited, yet strategic ways.

For instance, the ability to invest money should not draw your attention away from innovative investment of your human resources, the upgrading of those resources, or the significant in-kind contributions you can make through your own organization, the G&T, or the Statewide.

Perhaps, at this time, the most important action you and your fellow board members can make is in acquiring more understanding of the tools of economic development; how a co-op can use them; and who can best help you use them.

That's the purpose of this project. The Rural Investment Policy Project consists of two steps:

STEP 1: This reference book will cover the various tools available to you in economic development and how you might use them.

STEP 2: This step will require action on your part...you may wish to authorize the OAEC to send a professional investment expert to your co-op, using this book as the basis for a one-day directors' training session, or a two-day retreat in which you would explore all issues and write an investment policy (there will be a fee for this service).

Economic development is a business strategy for RECs in the 1990s. It is a major way to increase our load, increase our members' equity, and help assure continued support for the REA in Congress. I urge you to position your cooperative to be able to fully utilize this new tool.

--Larry Watkins

(The complete report is held in the committee files.)

ORGANIZING/OPERATING
A COMMUNITY DEVELOPMENT TRAINING PROGRAM

A Review of the Newcastle Chamber of Commerce
Economic Development Retreat Sponsored
and Facilitated by

OKLAHOMA ELECTRIC COOPERATIVE

MARCH 30-APRIL 27, 1989

INTRODUCTION

There are various reasons for a rural electric cooperative to sponsor community economic development training programs.

In the case of Newcastle, OEC serves the city and has the same, or similar, obligations to the town that an IOU has in its franchise areas...namely, to assist and nurture community development.

Another arena in which the co-op has such opportunities and/or obligations is in county-wide training and planning. This allows the REC to be part of the leadership which emerges in its area and to have a say in plans and strategies which relate to where development will occur.

Oklahoma is fortunate to have a multitude of community and regional groups sponsoring and encouraging such training. There is an excellent training system available via Oklahoma State University's Extension Service.

However, Oklahoma RECs are finding that there are serious gaps in this system. Mainly they occur in the smallest communities and the lowest-populated counties. Since the OSU training program is a very limited resource, they are giving priority to larger communities and counties.

Thus, there are areas within many co-op service territories in which the REC can perform a major service in organizing, hosting, and operating the training program; additionally, the co-op will be actively protecting/promoting its present and future power loads.

Our experience at Newcastle indicates that, while the sponsorship of a community training program requires investment in manpower, time, and other resources, the benefits over the next few years will be substantial.

Darrell Crandall
Manager of Member Services
Oklahoma Electric Cooperative

(The complete report is held in the committee files.)

NWTH

August 11, 1989

Honorable Glenn English, Chairman
Subcommittee on Conservation, Credit, and Rural Development
House of Representatives
Washington, D.C.

c/o Lynn Kemper
817 S. Polk Street
Amarillo, Texas

From: Steve Walters, Assistant to President Amarillo Hospital District & Prison Health Care Project Director, Texas Tech University Health Science Center, Regional Academic Health Center, Amarillo, Texas

Reference: Rural Development Field Hearing
August 9, 1989, Amarillo, Texas

Oral testimony offered to your committee at the Hearing is summarized below. These are my personal recommendations based upon 35 years experience as Chief Executive Officer of public-owned health facilities ranging in size from 14 to 350 beds in communities having 3,200 to 160,000 population. For the past five years, I have been consultant for indigent health programs at rural, urban and state levels.

1. Health services for rural communities must be adapted to changes in the health field and usage habits by rural citizens. These adaptations must be made by the Federal Government and by state, urban and rural programs as well.

2. Inadequate tax support for early access primary health care servics has resulted in inappropriate and higher tax expenditures by both rural and urban taxpayers for hospital emergency, neonatal intensive care, prisons and long-term institutional care.

3. Health care for rural residents has necessarily been furnished by regional informal networking of health services, through physician referrals and patient choice. Even large communities are not able to supply all needed levels of health services, therefore, rural citizens must seek some services elsewhere. However, the lack of organization of this networking has resulted in expensive, unneccessary duplication of services between rural communities and with urban centers. Also, the financing of health services for low income rural residents has usually been quite inequitable, one symptom of which

is the "patient dumping" issue.

4. RECOMMENDATION TO COMMITTEE: Formal regional networks of rural and urban hospitals and health agencies to ensure maximum use of scarce physician and other health professionals will also ensure the most efficient use of tax dollars and the availability of levels of health services tailored to economic reality rather than only community pride.

5. RECOMMENDATION TO COMMITTEE: Adequately fund rural health clinics, WIC, each hospital, RPCH hospitals and other grant and reimbursement programs directly addressing rural health needs. Relax guideline restrictions hampering execution of the programs.

6. RECOMMENDATION TO COMMITTEE: Amend restrictions on the Medicaid and Medicare programs which have hampered eligibility and cost reimbursement applications, for rural residents in need of care in both rural and metropolitan health centers. Encourage use of local taxes now being spent on indigents ineligible for Medicaid due to its restrictive programs, to be matched by Federal Medicaid funds.

7. RECOMMENDATION TO COMMITTEE: Seek ways to help rural residents restrain their natural competitive instincts and willingly join with their neighbor rural counties to expand their economic base and share health resources with each other.

8. RECOMMENDATION TO COMMITTEE: Provide grants in support of medical schools' use of rural communities in teaching undergraduates and residents, thus exposing them at the right times to rural community life and medical practice.

9. RECOMMENDATION TO COMMITTEE: Use resources of agricultural interests to oversee the changes being made by DHS as it manipulates the health care system through its financing mechanisms and utilization controls, and to evaluate their impact on rural health programs. Never again should decisions be permitted in Washington which are designed to eliminate "inefficient" rural health programs without ensuring that appropriate alternatives are put in place. Some structure should always be maintained for this purpose and I would think that the Department of Agriculture might do this without duplicating the work of other agencies and Congressional interests.

Steve Walters

SW/cb

RURAL ECONOMIC DEVELOPMENT

FRIDAY, AUGUST 11, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION,
CREDIT, AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
Marshalltown, IA.

The subcommittee met, pursuant to call, at 9:45 a.m., in the Continuing Education Building, Marshalltown Community College, Marshalltown, IA, Hon. Glenn English (chairman of the subcommittee) presiding.

Present: Representative Nagle.

Staff present: Joseph Muldoon, assistant counsel, and James E. McDonald.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. ENGLISH. The hearing will come to order.

I want to say in opening today's hearing what a pleasure it is to be in Iowa, to have the opportunity to get the thinking of the people of Iowa, and this region with regard to the issue of rural development.

This is the third such hearing that we have held this week. Earlier we held hearings in Mississippi and Texas and later this month we will hold hearings in Idaho and then next month in New York and West Virginia. So we are truly getting, I think, good input from various regions around the country. These field hearings follow on the heels of 1 month's worth of hearings that we held in Washington, some 50 witnesses testified at those hearings. The one thing we have found is that each region is a little bit different, their concepts, their ideas of rural development are a little bit different and their needs are a little bit different so we felt it was very important to visit various regions of the country and make sure that we received input with regard to those differences, get the ideas of the people as to how they think this legislation should be crafted.

One of the points too, is we want to make sure that this legislation has the flexibility to work with the needs of each State, work with the particular approaches of each State and with the local communities themselves so it is, we think, a truly historic undertaking. We have some 88 programs as far as rural development is concerned, some $6 billion in the Department of Agriculture, some $6 billion in the rest of the Federal Government that is being used in one way or another for rural development and quite frankly we

do not think that those resources are being used as effectively as they could be. Many of the programs have been around for some 50 years. We think they need to be streamlined and redirected.

Many of the agencies that have been extremely successful in the past we think can take on additional responsibilities, take on new goals and be just as effective in helping to reach those goals.

But let me say for those who expect that they are going to be able to sit back and the Federal Government is going to come to the rescue and take care of their small town and guarantee that their small town is going to grow and prosper and have a future, I think if that is your idea of what this legislation is going to be all about, I am afraid you are going to be sadly disappointed. What this legislation is going to do is help those that are willing to help themselves. To the people in the communities that are willing to offer the leadership, who are willing to roll up their sleeves and go to work and try to deal with the problems to help their community grow, we think we can give a great deal of assistance. For those that are unwilling to do that, I am not sure that we can offer you a great deal of comfort with the legislation that will be forthcoming, and the same I think is true of the individual States.

There is a great deal of energy and there is a great deal of leadership, there is a great deal of desire in rural America in most communities, and for those communities, we are going to do our best to lend a helping hand and make sure that the future is brighter than what we have seen in the past.

I just want to say that I deeply appreciate my colleague who is a member of not only the Agriculture Committee but also the Conservation, Credit, and Rural Development Subcommittee, Dave Nagle for having me here and Fred Grandy, for helping us, is another colleague on the subcommittee. Iowa is well represented with these two gentlemen and they are tremendous as far as the Agriculture Committee and Conservation, Credit, and Rural Development Subcommittee is concerned. I know I do not have to tell the people here that. It is just a pleasure to be in their State and to have their input. We will be looking at October as a date that we will start trying to actually pull together and write up the legislation as a result of these hearings.

So with that, I yield to my colleague.

OPENING STATEMENT OF HON. DAVID R. NAGLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. NAGLE. I thank you, Mr. Chairman. I want to first express my profound appreciation to you for being willing to make the trip here to Iowa and hold a hearing on the input on the future rural development bill. It is both a kind act on your part and an act that we deeply appreciate. I want to take this opportunity to welcome you to central Iowa to express our appreciation for your presence here this morning.

It is not an accident that we are in Marshalltown or that we are in central Iowa. I think Marshalltown and the surrounding communities, Belle Plaine, Tama, Toledo, Montour, represent both what is the best of rural America and our State and also what the opportunities are. The chairman has committed himself to the aggressive

program of hearings. Earlier this year we heard over 50 witnesses in Washington dealing with the legislation and what that legislation should entail. But to his credit to ensure the accuracy of the effort that we undertake, he felt it was necessary to hear not only what was said in Washington but also to hear what was actually said on the ground so that when we do do legislation in October that we have the input not only of those who oversee programs but also those who have to live with programs.

I am perhaps an exception. I have often said that I refuse to accept as inevitable, that the population of rural America has to continue to decline, that it has to continue to age, that our cities are going to be abandoned and that everyone is either going to live in Los Angeles or in New York. I think the decade of the 90's present an historic opportunity if we but seize the moment not only to reverse that trend but to enhance and restore a way of life that this country desperately needs. We face tremendous challenges. Poverty in rural America is greater than it is in urban America. Seventeen percent of our residents of rural America live in poverty as contrasted with 13 percent of those city dwellers. The rural resident can expect to make 75 percent of what an urban person makes. Federal resources seem to enhance that trend against us. Of the 435 Congressional Districts, 321 receive absolutely no benefit from the Pentagon spending of any magnitude. Worse than that, we send $3,100 a year on average in services and money to urban residents contrasted to $2,400 to rural America.

And yet rural America has much to offer. The population explosion in urban areas is both costly in human terms and government money, waste disposal, crime, transportation, deteriorating inner-city educational system all afford the opportunity to ask the questions: Is there not a better way? Does the trend of the last 50 years have to continue? Can the Federal Government play a role? What should that role be? What should the relationship be with communities, with the private sector of those communities, with the government agencies of those communities?

We in a sense have a window of opportunity that could well determine the future of rural America both in this legislation and other actions Congress can take, necessity of streamlining, necessity of coordinating Federal programs, the necessity of finding repetitive funds.

Glenn English is chairman of the subcommittee and my colleague Fred Grandy and I have a vision of what good legislation should be and what the benefit to the Nation will be if that legislation in cooperation with the harnessing of the energies of local people can do, not only for ourselves, not only for our region, not only for Marshalltown, or not only for my hometown 20 miles from here, Tama and Toledo, but for all of America by reversing the population trends and providing economic opportunity and jobs in rural America. That is the purpose of this hearing.

Mr. Chairman.

Mr. ENGLISH. Thank you very much, Mr. Nagle. Appreciate that. And I would like to say that under the circumstances and given the fact that you are hosting us here I want to turn the chairmanship over to you today, Mr. Nagle, and let you run this hearing. So here, you get the gavel and the whole bit. Let me say it is a dan-

gerous thing to do this with these young members. You never know. They do have uprisings in Congress from time to time but I will take the opportunity.

Mr. NAGLE [acting chairman]. Now, now, now, you are out of order.

Mr. Chairman, I deeply appreciate that but what I would like to do is I would like to pass on that and I hold it for a time to be named later in Washington. [Laughter.]

Thank you very much. I am pleased and delighted that our Governor, Governor Branstad, the new chairman of the Governor's Association will serve as our lead off witness this morning. And we all know the Governor. And I appreciate your taking the time to come here, Governor.

I would also, before I introduce you, would like to welcome John Prihoda, the president of the Iowa Valley Community District College and also Doug Hofbauer, the president of Marshalltown Chamber of Commerce. Would you give those two gentlemen a hand for their efforts here. [Applause.]

Mr. NAGLE. Governor.

Governor BRANSTAD. I think both John and Doug had just a brief welcome that they wanted to give so I will yield just a few minutes to them if that is all right, Congressman.

Mr. NAGLE. Thank you.

Mr. PRIHODA. Congressman, cochairpersons.

Mr. NAGLE. Cochairpersons.

Mr. ENGLISH. We only have one chairman at the time. Today this is the chairman.

REMARKS OF JOHN PRIHODA, PRESIDENT, IOWA VALLEY COMMUNITY COLLEGE DISTRICT

Mr. PRIHODA. Chairman Nagle and Congressman English.

Mr. NAGLE. That has a nice ring to it.

Mr. PRIHODA. It is certainly appropriate that you would choose this place to hold this hearing, an Iowa Community College, truly a people's college, a place where the people who are going to be most affected by your decisions can come conveniently to this hearing. A place today in this day is one when men and women can be heard equally and before decisions are made.

Thank you for this opportunity. We know you are going to have a very productive day.

Mr. NAGLE. We thank you, President Prihoda.

REMARKS OF DOUG HOFBAUER, PRESIDENT, MARSHALLTOWN CHAMBER OF COMMERCE

Mr. HOFBAUER. Congressman English, Congressman Nagle, on behalf of the Marshalltown Area Chamber of Commerce, we are pleased to welcome you here today and note that I mentioned area. One of the emphases we have in our chamber here in Marshalltown is to emphasize our area and to emphasize economic development in our area. I would like to welcome you to a quality of life that I think is unsurpassed. I have had an opportunity to do some traveling and I am always happy to get home because rural America certainly has the quality of life that those of us in the "baby

boomer" generation are finding important. We are finding also that it is not what you make, it is what you keep that counts in determining that quality of life.

We have a popular movie right now, "Field of Dreams" in which they ask is this heaven? No, it is Iowa. I think it could be said about most of rural America, is it heaven? No, not necessarily but it is rural America and it is the quality of life that most of us are looking for.

There are two areas that you mentioned in your opening comments I think are important. Local initiative is certainly necessary. We in the chamber are very concerned about local initiative. This past year we started an organization called MEGA 10 which stands for Marshalltown Economic Growth Association and we are asking residents of our community to contribute $1 a week to help us grow and to develop some seed money to help us enhance the community projects that we are developing. In Iowa we know how to grow things. If we can have the seeds, we will make them grow.

Welcome to Marshalltown, welcome to rural America. Thank you.

Mr. NAGLE. Thank both of you very much.

Governor.

STATEMENT OF TERRY E. BRANSTAD, GOVERNOR, STATE OF IOWA

Governor BRANSTAD. First of all I want to acknowledge the college here for what they are doing in Marshalltown. Statistical Processing Control which is one of the important processes to help American industry to be competitive is headquartered out of this community college and I have had the opportunity to speak here and also at the campus you have up at Iowa Falls at graduation and I found out that Doug Hofbauer's father lives in Leland, Iowa, a town of 230 people where I was born and raised and his father is a former mayor so we have something in common.

I am delighted to be here. Congressman Nagle and Congressman English, I appreciate this opportunity to share some information and some observation about rural development here in the State of Iowa and I guess beyond that. Rural America is indeed in a period of transition. There has been some dramatic changes in this decade of the 1980's. We have lived through a severe farm crisis. We saw land values in Iowa drop 65 percent in the period 1980 through 1986. Our farm economy has come back some but we are still faced with the second year of drought for many Iowa farmers. Overall, rural America is passing through a time of significant trial and there are some opportunities out there for people that recognize it.

Since 1980, over 50 percent of rural counties in America have lost population. That is true in Iowa as well. Between 1979 and 1986, rural areas gained new jobs at only 43 percent of the job growth in our metropolitan areas. The USDA projects that rural growth rate will continue to be about 30 percent less than the growth rate of the major cities between now and the year 2000.

Now, we have assessed these trends and I agree with Congressman Nagle's observation that it is not inevitable that small towns and rural areas have to shrink and that the population has to con-

tinue to move to the crowded cities on the east or west coast. We are working hard in Iowa to strengthen and diversify our State's economy and we are placing special emphasis on rural development. Through these recent years we have put in place a number of important initiatives designed to assist rural Iowa to retain and to improve its economic vitality. I want to mention some of those initiatives.

We established the office of rural development in our Iowa Department of Economic Development. And incidentally until 1986, we didn't even have all of our economic development programs in one agency but we went through a major reorganization in State government in 1986. We put all those programs into the department of economic development. We have the JTPA program there, we have the administration of the Federal money, we have State programs there and we now have an office of rural development and Cathy Berry from that office is here with me today.

This year we created an office of rural health as a part of our department of public health. And I have also appointed a task force on rural health which is being chaired by Mary Andringa. Mary is the wife of a doctor. She is the vice president of Vermeer Manufacturing, a major farm manufacturing firm located in Pella, Iowa. That task force is going to be making recommendations to me and the legislature to deal with some problems of maintaining quality health care in rural America.

Rural leadership is another program that we have developed in Iowa. We have "Tomorrow's Leaders Today," a rural leadership program administered by Iowa State University Extension and we have the Iowa Leadership Development Institute which is run through the—which is administered by the independent colleges—the private colleges—the independent colleges and they have received some help from the State. They have also worked with utility companies and they have put together—I think 20 something different independent colleges in Iowa are involved in that program. And then, of course, our community colleges—and we are here at one of the community colleges—play a very important role in service delivery for rural America.

Our Iowa Economic Development Network has 15 centers across the State providing local access to programs and information. This is a computerized information system that is available and these are located on community college campuses. Our economic development units and just about every community college in Iowa now has their own local economic development unit that works with the communities as an active partner.

And then we have what I would say is the most innovative job training program in the country administered by the community colleges. We sell tax exempt bonds up front. It has extreme flexibility. The community colleges play a very key role in training new workers for jobs of either expanding existing business or new businesses that locate in the State and it has been identified as one of the most effective programs we have and I want to thank all of you in the Congress that helped maintain that tax exempt status for that when we went through the tax reform a few years ago. We worked hard on that as a State and our delegation all helped us and that is very important to us.

We also have some grant programs. You are familiar with the community development block grant programs, Federal programs. Funds have been reduced in that program in recent years but we have that program administered by our department of economic development. It is an excellent source of funds for communities under 50,000. Communities over 50,000 get their money directly from the Federal Government. The State through the department of economic development administers the program for those under 50,000. Seventy-five percent of that money goes for infrastructure projects, 25 percent is set aside for economic development. It has been very helpful for a number of projects in rural Iowa that would not have otherwise gone forward. We think the flexibility that we have had in that program has been extremely helpful and I know of many businesses that have located in rural Iowa that would not have located here were it not for the opportunity to utilize what we call the CDBG or Community Development Block Grant Program.

Also, we have established a State lottery and dedicated those funds for economic development. Some of that goes for research, some goes for programs like the Main Street program to revitalize Main Streets and we have expanded that incidentally now to communities under 5,000 in our Main Street program.

Part of it that has gotten probably the most attention is what we call the CEBA program, Community Economic Betterment Account. This community economic betterment account is available in the same way the CDBG money is available. It is State money generated by the lottery. It has been very successful providing grants, loans, interest buy-downs, forgivable loans to encourage businesses to expand or new businesses to locate and this just can be in any location in the State regardless of the size of the community.

We also have funded marketing programs. And when Mr. Hofbauer mentioned "Field of Dreams," it brought back some memories to me. My first year as Governor, we had no money for marketing and we wanted to promote tourism in Iowa. I took my kids on minivacations around the State. I will never forget that because I thought wherever the Governor goes, we will get media coverage and we can tell people the fun things there are to see and do in Iowa. We were at this wonderful place called the Seminole Valley Farm on the edge of Cedar Rapids. They were spinning wool into yarn, doing all these fun—interesting crafts. I was saying how great it was and the local television station was interviewing me there from Cedar Rapids and then they put the microphone in front of my 8-year-old son Eric, and they said, well, Eric, what do you think? Eric says I am hot and bored. Needless to say we had a long ways to go in marketing and promoting Iowa. I took him with me last year on RAGBRA, a bicycle ride across Iowa, and he never said he was hot and bored one time. He had a great time. He went again this year even though I could not go. Our marketing attitude has improved just as much as Eric's attitude has.

One of the things that we are marketing is the quality of life and the opportunities here in rural America and we think that the State's marketing can help local communities but we also recognize that we cannot make things happen at the local level. Our marketing, thanks to the changes that Clayton Yeutter was able to work out with the Japanese Government permitting us now to sell more

beef in Japan, we are selling Iowa quality beef in Japan. We have a regular marketing program with the Seiyu department stores to promote Iowa quality beef in the Japanese Seiyu chain. We are doing the same thing with Iowa quality pork through the Niichi stores in Japan.

On a broader scale, the National Governors' Association, which I recently became chairman of has become—has made economic development, especially rural economic development a priority. We had a task force a few years ago on rural development and that task force identified some specific recommendations on what can be done to help small communities and rural areas to grow and we recommend strongly a bottom-up approach where you find out what people want at the local level. The idea of requiring every community to build an industrial park does not make sense if that is not in the strategic plan for that community. What we found is State and Federal governments cannot predict which communities are most likely to grow and which ones will not. Only the community is really going to determine its own destiny. Our role at both the Federal and State levels should be to encourage the development of local leadership and to develop—help them develop a vision for their future. They need to be able to put that in writing and then they need to implement their strategic plan. What we can do, the Federal and State governments, is help provide some expertise. Make sure that the resources—Federal and State resources are coordinated so if they are short of putting it all together, we can give them some assistance on that. But in the end, I think we have to provide enough flexibility that rural communities can develop their own future.

As you consider legislation to encourage rural development, I recommend that you seek to accomplish one, building incentives for the States to participate so you can augment the Federal funds with the State dollars as well; two, flexibility to adapt to the different conditions as you mentioned in the States, and it varies tremendously from one region of the country to another; three, encourage local initiatives and local planning. That is where the action is; and four, promote cooperation and sharing of local economic development activities and risks among various stakeholders, Federal, State, local governments, also private sector. In this State, the utilities have been very, very helpful in this, the financial institutions, especially the banks, oftentimes other businesses in the communities, even the local media in this State. The Iowa Newspaper Association has embarked on a program called the Iowa Future Program designed to encourage communities and people to focus on economic development.

We already have in place a structure in our department of economic development that provides for efficient and effective management of Federal funds as well as State funds. We administer the CDBG and the JTPA program as well as our State economic development funds which have been increased substantially since the lottery dollars were directed for economic development.

It does not in my opinion make a lot of sense to establish a new or separate bureaucracy to manage new Federal rural development programs. We ought to use the structure that is in place and is working. The Congress is continually developing new programs.

Yet the delivery systems oftentimes remain inconsistent. A good example of this is a program that we worked hard with the congressional delegation to get, the FRED Program. Now, we have a situation where it is—the applications come into the State but the funding decisions are all made at the Federal level. It breeds confusion, there have been unbelievable delays and it has been quite a disappointment among a lot of rural communities in the FRED Program because of the bureaucracy and because of the decision-making is so remote. We need to use existing capabilities that exist in the individual States. Iowans already are using our State system for technical assistance, for strategic planning, for infrastructure, and for financial incentives. Moving new programs into this system gives constitutents a fair and equal access and they already know the system that we have in place.

An independent oversight group such as we have through our citizens board that oversees the department of economic development can be instrumental in managing the funds to see the rural development program is managed with citizen oversight. The group would provide a needed balance coordination for the Federal agency while at the same time eliminating the possibility of duplication with what you would have if you created a new entity.

It is also important that we have equal access to rural development funds available to ensure that all parts of the State are equally given the opportunity to participate. Specifically, we can see many ways to foster greater Federal, State, and local cooperation and build the kind of partnership that it takes. Almost every development effort I've seen in recent years in this State has involved the partnership of private sector, oftentimes local government, and the State, and in some cases through the CDBG, the Federal Government as well.

Iowa has developed a plan in the telecommunications field for a narrow cast system that is designed to tie together all of our community colleges and public schools. We are very excited about this. The State has already allocated $10 million to start this project in this year's legislative session and we are committed to another $10 million a year for the next 4 years. That will establish the backbone system to tie the community colleges and the schools together. We expect that the total cost of the entire system will well exceed $100 million. Yet, even though this is a big investment, we think this system is important because we look at it as the new transportation system for knowledge. This telecommunication system is a transportation system for knowledge in the future. It will be a tremendous asset to our education system in Iowa which we care deeply about but we also think it could help rural hospitals, it can help rural communities and small businesses compete with larger firms in big cities because of having the fiber-optics cable and having those kind of facilities available in remote locations where the cost of living is much lower. So if there is any way that this program can tie in to helping States like Iowa in developing those kind of structures to compete effectively, I think that could be extremely helpful.

We also need to address the rural infrastructure problems. Of particular concern in this State is adequate quality water supply and that is especially a problem in southern Iowa. We have utilized

some Federal funds for this and I realize some money has already been transferred, as we talked in the hall. That and drought relief is critical. We appreciate the work that has gone on in drought relief before you came home for the recess, but we need a program that will strengthen the integrity of the rural water systems as well as address the need for adequate housing stock in many of our rural communities.

There is also several nontraditional infrastructures that it takes in rural communities today: Day care facilities, health care facilities and flexibility, not maybe a traditional hospital but a multipurpose health care facility to serve needs and, of course, the need for emergency medical response systems that can get people that have heart attacks or injuries quickly to a facility.

This year the State of Iowa made a significant commitment of nearly $7½ million for infrastructure for rural Iowa in our rural community 2000 program. A cooperative effort provided by Federal legislation could enhance what we're doing with both traditional infrastructure and new infrastructure needs. A partnership could be of great assistance to helping our State rural development strategic plan and we are in the process of developing that. Clearly rural development programs need to have a solid base and they need to be targeted to utilize the limited resources in the most effective way and you cannot use just a random approach if we are really going to be effective.

In the area of rural business assistance, loans and grants should be targeted to communities and companies as part of an overall rural strategic plan. The State is already involved in managing and matching funds through the CDBG and JTPA and we want to administer the rural development program and I know when you administer a program, you get criticism. I get plenty of criticism for things that happen. We are willing to take the criticism because we think we have the experience and the expertise to do it well and to do it at very little cost to the taxpayers and to get maximum benefit to the local communities where the need is. We suggest a pool of money that would be available to the States on an RFP basis to strengthen local and State planning. Our goal would be to totally focus the economic development effort at the community level with the State providing fair guidelines in working with the money that is provided and we need to have adequate flexibility to make that work. Our community colleges are so effective in job training because the legislature has kept the flexibility in that program. It works great. They can go and sit down with the new business or the expanding business and work it out. They have even trained people overseas for jobs here in Iowa and that is the kind of flexibility that we need to have.

Just two alternatives that I see that might make sense. One is increase the strategic planning activities at local, regional, and State level to invest in rural leadership development. We have already begun that and I mentioned that earlier about Iowa. An example of our effort to support local regional planning organizations is our rural enterprise fund which was recently created to support capacity building for local economic development organizations. Expansion of this program could benefit communities throughout the

State and I say this could be a model that could be used nationwide.

Marshalltown is a great example of a community that has gone through some tough economic times. Their MEGA 10 program is a classic example of getting grassroots involvement, asking people to contribute $1 a week to help the community to provide a better quality of life to help the community to grow, not only gets a financial commitment but it gets personal involvement and I was so impressed they invited me up here for the opening of that to see literally thousands of people turn out, all ages, all backgrounds working together for the community and that is the kind of thing that we need to see happen all throughout this country.

In summary, I believe you need to build on these elements to provide the kind of legislation that will really help with rural economic development, partnership, Federal, State and local, flexibility especially focusing on the local needs, working with the existing structures instead of setting up a new bureaucracy, a consistent service delivery so that people know where to go and how to get it done, encourage the bottom-up process where you have statewide strategic planning but the focus is on the goals of the local communities to meet their specific needs.

We appreciate the fact that you are here and that you are working on legislation to help rural development. Thank you very much.

[The prepared statement of Governor Branstad appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you, Governor.

Mr. English.

Mr. ENGLISH. Governor, it sounds like we are singing off the same sheet of music.

Governor BRANSTAD. I am pleased to hear that. I know we talked a little bit before the hearing began. We are a little disappointed with the Senate bill which bypasses the States in terms of administration of the program and we think we can be of help to making this effective.

Mr. ENGLISH. I was wondering in putting together the plan, given your position with the National Governors' Conference involvement in rural development and knowledge of what is taking place in other States, would it be fair in your opinion, in putting together a plan like this, should certain elements in it be expected to be met by the State? For instance, you have things such as roads and there would be other elements that the State could be expected to participate in, in fact a responsibility that they would have so that we do not—the thing that I am wondering about is in the past, we got into this thing. Well, we had matching funds, you put a little Federal money in, you put a little State money in, you put a little local money in, you have a little bit of everybody in it that way, but I am wondering if it would not make more sense to do it, well, there are certain jobs that State government is certainly in a better position to do, they can do more effectively, they have more experience, they know their State better, they know how to do it better and just say, OK, that is the State's role, you know, whatever that may be. You have local government that fits in the same way. They have that same kind of an approach.

Well, first of all, the question I want to ask you, is it fair to take that kind of approach? Does that make more sense than all this matching stuff?

Governor BRANSTAD. I think in some instances, yes, it does and the States recognize with the Federal budget problems that we have already and are going to have to continue to take on more responsibility in some areas. We think, for instance, where our taxpayers are being taxed such as the Federal road use tax money, that we ought to get our fair share of that back, that that money ought not be withheld in Washington to help reduce the size of the Federal deficit. So if we do have our tax money involved in it, then we want to get our share back. But we recognize in some areas, education, that the States are going to have to provide most of the resources and we accept that. We do not expect there is going to be a lot of additional Federal funds or might be some to help out risk kids or whatever but we accept that. But in some areas like in the road area where you do have a Federal gas tax—I am going to tell you this, if the Federal Government will repeal the road tax and let that money stay at the State and local level, we would be glad to administer it. And I think that might be up for reallocation but I do not think there is a good chance that Congress is likely to give that up.

Mr. NAGLE. Well, I think Governor if I could—if the gentleman would yield—I think we might find that we could drive very well across Iowa and there is no road in Nebraska or Wyoming because that is not their priority. We had a trend in this country started by Eisenhower of having a National Highway Transportation System.

Governor BRANSTAD. And I agree with that. I guess our concern is we are willing to accept areas of responsibility where the States may have the exclusive responsibility. I guess the road area is one the Governors do have a strong position on. We had quite a meeting with Transportation Secretary Skinner in Chicago on that issue because, in fact, all the money in the trust fund, both the highway trust fund and the airport trust fund, has not been spent and that is one way that the size of the Federal deficit does not look quite as bad because—we cannot at the State level do that but the Federal Government you use those trust fund balances to offset general fund deficits.

Mr. ENGLISH. Yes, we do have a little of that smoke and mirrors business taking place in the budget, no question about it. S and L bailout, we just did a big bunch of that. I would agree with you, but you see no problem then with—and you think the States in general would be willing to assume certain responsibilities, they will do their part. Would you be willing to, and could you, and I do not want to hold you down too much on something, but on an informal basis through your workings in the National Governors Conference see if you all can come to some kind of agreement as to what those areas of responsibility that each State would be generally willing to assume?

Governor BRANSTAD. We would be glad to do that. Governor Kay Orr from Nebraska is the Chair of the transportation committee.

Mr. ENGLISH. Well, I was not thinking about—I was just thinking about in general, all the way across. You mentioned education, certainly highways or roads is something else. The thing—in looking

at this it would appear to me that where we can have the greatest amount of impact and you, I think, alluded to it in your remarks, is if we can bring all these resources to bear in an area. If you have a community out there and it is an economically viable community and we are able to develop jobs in that community, then you have a justification for making an investment in that community. Leadership is the thing I think is truly going to help provide that. A lot of it may be simply developing a small cottage industry. Maybe somebody in a local community has a good idea and with the proper assistance and proper support can grow and become a business that is going to provide several jobs for the area. Those are things that we do not focus on.

Now, in my part of the country, and I imagine the same thing is true here in Iowa, we have half of the communities in my district ready to go beat on the door of General Motors because they all want a new General Motors plant and I imagine that is true of half the communities in this country. They have all gone and pounded on that door. General Motors is not going to build that many plants, if they build any at all. And so when you start looking at the number of plants that we are all competing for to bring to our communities, there are very, very few out there. We probably do not have a very good chance of getting one of them, but you may have some people in the local area that have a pretty good idea and if they had a little bit of support, a little bit of assistance, a little expertise, they could develop that idea into a small concern that would employ 30, 40, 50 people and which would spell the difference between survival and extinction for a lot of rural communities. It may be—if we can start looking at those kind of options. And I think you are right on the flexibility. I would agree with that. We need to work that in.

And another thing, I guess the question I wanted to ask you is on this issue of—you mentioned the strategic plans. Does every community in Iowa have a strategic plan or do only certain communities come up with strategic plans?

Governor BRANSTAD. One of the things we are doing in the efforts that we put together and the State has provided some assistance to the independent colleges and to also Iowa State University Extension Service is involved with helping individual communities. I do not think you can force any community to put together a strategic plan. You have to have the local leadership there that is willing to do it.

I have traveled to a number of communities and held town meetings, we call STEP meetings. STEP stands for Shaping Tomorrow's Economic Progress. And we have a guy named Pete Rose and no relation to the manager of the Cincinnati Reds.

Mr. NAGLE. What kind of odds does he give? [Laughter.]

Governor BRANSTAD. He is a heck of a guy to introduce. We have a lot of fun at these meetings. I always say that here we imported this guy from Cincinnati and he has a good personality and he is good at follow up. I do not know if he bets or not.

Mr. ENGLISH. He has a good sense of humor too, I take it.

Governor BRANSTAD. Not to my knowledge anyway. But what we are doing is encouraging communities to put together their own strategic plan and then also these leadership programs—and we

are in the process now of trying to—if we can pull those leadership programs together because we need to have coordination of those leadership programs to make that possible. In some cases, it is a group of communities. We have these commonwealths, the area community commonwealth up in north central Iowa. There is like six or seven communities working together as a cluster. So we are encouraging these kind of things to happen but we are not requiring it. More and more communities around the State are doing it. The MEGA 10 is an excellent example of one that is really working.

Two years ago we had a STEP meeting in Chariton, Iowa, down in southern Iowa, a community that was really economically hurt through the farm crisis in the last 2 years. Since that time, they have really gotten their act together. They have been very successful. They are working off the strategic plan and they are having an impact.

Mr. ENGLISH. Would it be—I think you are right. I think there needs to be a plan of that sort, whatever you call it but I think that is exactly right. In your opinion, would it be fair to go out to communities and say the first step has to be that you develop strategic plans? If you do not develop a strategic plan, there is no way we can help you so that is the first step, first indication that you are willing to do something for your community, you are willing to get serious about this thing and really begin to deal with your problems?

Governor BRANSTAD. I think that is appropriate. I think it is appropriate to require that there be a strategic plan so that you know there is local leadership there, that they have thought it through, they have put together a plan. If you are going to give them some money, better know that they have the leadership and that they have a plan on what to do with it and I think it is appropriate also to require a local match. I think that is a critical element of it as well.

Mr. ENGLISH. There is just one other question I have and this comes from our folks in Oklahoma. We have all seen "Field of Dreams" as well and I have heard that——

Mr. NAGLE. You cannot understand why they filmed it here, can you? [Laughter.]

Mr. ENGLISH. Well, the thing I was getting down to. I did have a question in my mind. I noticed that—I have heard at least a number of the commercial companies throughout this Nation, you know, they pay a little something to have their bottle of cola or whatever it is sitting out there on the counter while they are filming this thing, and I just wondered did the State of Iowa pay anything for that remark about "it is not heaven, we are in Iowa?"

Governor BRANSTAD. Well, not directly.

Mr. ENGLISH. You will never know, you will never know.

Governor BRANSTAD. We worked hard on it. Why do I not just give you the background, in 1983 we established a film office in the department of economic development to the ridicule of some people. Big time film making in Iowa come on, get serious. Then I think I hosted for 3 or 4 straight years receptions in southern California for movie makers and directors and as a result, we have had several major productions here. We have had at least one major

production each year for the last 3 years. "Field of Dreams" just happens to be the best of all. You know some of them, "Country," some of the other ones were not particularly upbeat, positive films. They made—depicted real economic hardship that people were going through but this film is based on a book I think written by a guy that was a writer at the writer's workshop at the University of Iowa, actually it was set I think in Johnson County near Iowa City and they happened to film it in Dubuque County, but our film office, Wendol Jarvis, worked very closely with him throughout the process. If you saw that last scene where it is evening and the cars were coming from all directions, just the kind of example, and I think this is one reason why movie making makes so much sense in Iowa is that they just put on local radio stations if you want to volunteer to be in this scene, just come on out. And they got thousands of people to drive their cars as part of that scene just by asking on local radio stations for volunteers.

Well, we just saw that tragic airplane crash in Sioux City, worst accident, airplane accident in the history of Iowa, in terms of death toll, the worst in the 20th century. Yet, you saw the way people came together and the way they handled that situation. That is just the kind of people we have out here. So we think that this is a natural place for movie making, just because it is a hassle free, very cooperative environment and we have a very aggressive film making office headed by the young man named Wendol Jarvis. So if you have connections with any other film companies, we would be glad to talk to them.

Mr. ENGLISH. Well, we have a similar office in the State of Oklahoma. They might take offense to me directing them to you.

Governor BRANSTAD. I know that I can tell you that Congressman Grandy who is another member of your committee has some background in that and he, indeed, has joined us and has made some contacts with some of the people he knows in the film industry and has helped us on that score so we appreciate that very much.

Mr. ENGLISH. Well, the remark, I assume that you will get a clip of that and put it on your advertisement for Iowa.

Governor BRANSTAD. Well, we have done better than that. We have contacted the company. We have gotten their approval and we are going to be selling T-shirts at the Iowa State Fair. [Laughter.]

Mr. ENGLISH. Very good. Thank you, Governor.

Mr. NAGLE. Thank you, Governor.

Governor BRANSTAD. Thank you.

Mr. NAGLE. Thank you, Governor. Thank you very much.

Mr. ENGLISH. Let me say also that you are the first Governor to testify before the subcommittee on this issue and we take note of that and deeply appreciate it. You are obviously very knowledgeable and we appreciate your contribution, Governor. We are looking forward to working with you.

Governor BRANSTAD. Thank you, Congressman.

Mr. NAGLE. We are looking at our time. We are running a little bit late so we are going to move right along.

I would like to introduce the next panel. The next panel addresses the question of rural infrastructure and I would ask them to come forward while I introduce them.

The first member is Ruth Wagner, Powesheik Water Association, Powesheik County Water Association. Ray Osthus, who is the president of the Iowa Realtors Association. Jim Pribyl who represents U.S. West Communications. Bill Blakely of the Iowa Telephone Association. Dave Smith of Mitchell County Hospital and I have Marcia Heggen from Agricare.

All right, what I would like to ask the witnesses to do is summarize. Your written testimony will become part of the record and I would ask, if possible, if you would summarize your testimony rather than just simply read it verbatim. Much of the testimony we already have up here and we end up reading along with you, so if you would summarize and leave us ample time for questions, I would appreciate it.

And I would like to start out with Ruth Wagner, who is the manager of the Poweshiek County Water Association.

Ruth.

STATEMENT OF RUTH C. WAGNER, MANAGER, POWESHIEK WATER ASSOCIATION

Ms. WAGNER. Thank you. Thank you for the opportunity to testify for your committee this morning.

Poweshiek Water is a public body organized under chapter 357(A) of the code of Iowa. We have an office in Brooklyn, Iowa and our treatment facilities are located south of Tama, Iowa. We serve water to rural customers in all parts of Poweshiek County, the southern third of Tama County, and parts of Iowa, Mahaska, Keokuk, and Jasper Counties. We have approximately 1,600 users plus we sell bulk water to the town of Barnes City.

There are 21 rural water districts in the State of Iowa. Although I am speaking from my knowledge of Poweshiek Water Association, we all face similar problems. These past 2 years have been the best of times and the worst of times for rural water districts. The best of times because good quality water is in demand and the worst of times because financing is also in demand and difficult to obtain.

Rural water districts play a vital part in Iowa's economy. If we are to provide—if we are to continue to grow and expand our rural areas, we must provide an ample supply of good quality water. There are many areas in our State that do not have an adequate supply of water and some of the areas that do have an adequate supply do not have safe water. Regulations are becoming stricter as to the quality of water that humans consume, and this is as it should be. We are all becoming aware of ground water contamination. There are wells today being used with high levels of nitrates and bacteria as well as other contaminants.

If the rural areas are to be competitive in securing industry, we must provide water. The availability of water increases the property value whether the buyer wishes to build a house, raise livestock or for future investment. I think rural water will play the same role that the rural electric co-ops played in the development of the rural areas.

Rural water associations do not have taxing authority to raise income so the water rates that are set have to pay back loans as well as operate the system. If we are to serve an ample supply of good quality water to the people, it has to be affordable. To make the water affordable, we need to have grant money. We sometimes have to run a water line 1 to 2 miles just to pick up one customer. This could not be feasible without grant money. We need the balance of grant money with low-interest loans. The guidelines for receiving grants could perhaps be adjusted to allow more districts to qualify.

We would like a more timely method of financing. We waited 5 years from the time of our first application until we received funding. So much changed in that 5 years. People had to dig wells, the economy dropped, lots of farms changed hands. When you are out of water, you need it now. To some of the people hauling water has become a way of life.

At Poweshiek Water Association we have a project waiting to be funded this month. We have our fingers crossed. We have our easements, our membership fees, our water users agreements, and we are ready to go to bid.

We have a future project of crossing the Iowa River and running water lines to the people in Tama County where we have calls almost daily telling us about their needs and asking when we are coming their way.

We also have plans, not on the drawing board yet, but of areas we know that have need and we have the ability to serve. If the projects in Iowa that are in the above three stages I just mentioned were funded, we would need $25 to $30 million in the next 5 years.

Farmers Home Administration has been our sole funding agency and I would like to commend them for the outstanding job that they do. They work hard with the rural water districts trying to get feasible funding.

The State has also played an important role in funding with participating grants. These are listed in the information that you have been given. I think Iowa is ready for growth and we can do our fair share but we do need Federal assistance. Rural water would like to play a part in strengthening our economy and maintaining our high standard of living in rural areas. We believe everyone should have access to an affordable, ample supply of good quality water.

Thank you.

[The prepared statement of Ms. Wagner appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you very much.

We are just going right through the entire panel. Ray Osthus, the president of the Iowa Realtors—Iowa Association of Realtors.

STATEMENT OF RAY L. OSTHUS, PRESIDENT, IOWA ASSOCIATION OF REALTORS

Mr. OSTHUS. Thank you, Congressman Nagle. I would like to welcome both you and Congressman English to Marshalltown as a Marshalltonian. This is my town. And besides that I appreciate the opportunity to appear before your panel and to discuss some of the housing concerns that we have for Iowa.

I was glad to hear your remarks, Congressman Nagle, about the question of population trends and the possibility of reversing them. We think that is something that also can happen and has to happen.

Further, Governor Branstad's remarks included housing and I was glad to hear that, so with that I would like to share some housing statistics with you and get into what is actually happening in Iowa.

A recent study done by the Real Estate Research Corp. of Chicago indicates that Iowa's housing stock is characterized by four divergences from the national housing profile. One, 80 percent of our housing is single family homes while the Nation is less than 70 percent. The 1980 census reported that over 44 percent of our housing units were built before 1940. The national average is 26 percent.

In 1980, during the census, 41.4 percent of Iowa's population was rural, compared to 26.2 percent for the United States and Iowa's homes are occupied by homeowners, and that being the fourth variance.

During the 1980's, Iowa's low sale prices of existing housing stock have been a deterrent to new home starts. And because of that, there is a great need for new construction and I am happy to say since about mid-1977 or 1987, I am sorry, this has been beginning to happen and we are seeing some improvement.

There is a direct relationship of this age of housing to the physical condition. I mentioned 44 percent of our housing was built before World War II so that means that we need to encourage the maintenance and the rehabilitation of housing as a part of our comprehensive strategy and if we do not follow that type of a positive action here in Iowa, what will happen is that this asset that we have of least costly housing will be gone and the opportunity for first time home buyers will also be gone, to achieve their dream of home ownership.

In 1988, the types of financings that we reported in the "Iowa Housing Trends" which is a publication of the Iowa Association of Realtors were as follows: Conventional loans were used 40 percent of the time, FHA 16, VA 3, FmHA only 2 percent of the time. Assumptions 5 percent, cash sales 14 percent, seller assisted 11 percent and other forms of financing 9 percent.

As far as the trends in the Iowa housing market, a Harvard University study from their joint center of housing studies in their publication "The State of the Nation's Housing," they stated that Midwestern homeowners fell from a statistic of 50.5 percent to 40.2 percent for households aged 25–29 and 68.1 percent to 58.6 percent for households aged 30 to 34 during the years of 1980 to 1987. This is approximately a 10-percent reduction for those in the groups that are most likely to be the first time home buyers and I would say that Iowa is typical of the Midwest and you could expect to see about that same reduction of 10 percent occurring within our State.

The question is: Why has this 10-percent decrease happened in just 7 years when single-family prices—single-family home prices in the State of Iowa are among the Nation's lowest? To point that out again, the National Association of Realtors has reported that at the end of June 30, 1989, for the first 6 months of the year, the

median priced home in the United States was $93,200. "Iowa Housing Trends" reported for Iowa for that same period of time is $47,750. So Iowa's low cost of housing should be a major positive factor in economic development for our State. And yet we see young households struggling harder to attain that home ownership dream. We believe that there are two major reasons for this paradox. One is restrictive loan requirements of Government secured or direct loans, and two, is the additional—or the need for additional good paying jobs in rural areas. The need for diversification of industry in our State, industry that will contain in high tech and will offer executive level positions.

I would like to talk first just a little bit about loan requirements in this State. You may recall that I mentioned in our housing supply in 1980, 41.4 percent of our population was rural. I discussed FmHA loans and said they accounted for only 2 percent of our loans in 1988, FHA 16 percent, and VA 3 percent. Now, it does not appear that we have over-utilized the Government secured loans even with our low affordability of housing in the State and we feel that the requirements of these loans are restricting the use of the loans and therefore housing opportunities for Iowans.

I will give you just a few of the restrictions of FmHA. In the towns of less than 20,000 population—of course, this is the only area that they can lend in—but please note that I said that in towns of less than 20,000—and I said towns. They cannot or will not loan in rural areas in the country. Country homes on an acre of ground or so are just simply not eligible for Farmers Home Administration loans. The home cannot be over 50 years of age and yet there are homes that are 75, 90, and 100 years of age that have been well maintained through the years that may be very livable while there are homes that have been cheaply built that may be 15 or 20 years of age that are in not necessarily good shape that loans can be given on. A ranch home can have no more than 1,200 square feet in it. A new ranch being built by the FmHA, 1,150 square feet and it cannot have a basement which does not seem to make a lot of sense in a State like Iowa where people are concerned about weather and storms. In fact, not having basements in houses in Iowa is a deterrent to resale. New split foyer homes cannot be over 865 square feet, there cannot be fireplaces or cannot be sliding glass doors in these homes. There is even counter top requirements. Of course, there is insulation requirements that deal with R-values only, without taking into consideration historically utilities costs of a particular home and the list goes on. We feel that these restrictions do limit the financing options in small towns and it tends to lower the property values.

Now, you have copies of our "Iowa Housing Trends" and you will have an opportunity to look through that I am sure but you will see that in the smaller towns that the median of $47,750 is not met many times. I will give you one example. There is Oskaloosa, the median is $28,150. The high in Iowa is Iowa City at $65,802, still not coming to the national median average price. A situation could very easily occur where a young couple both working having a modest income would be denied a home that would fit their family needs because it had sliding glass doors or maybe because it was in a country location. Now, the fact that the couple could afford the

home and were stopped by "nitpicking" requirements does not send a good message from Government that they are interested or feel that there is value in home ownership.

The FHA, another area, a few conflicting requirements that happen from State to State. Iowa requires that all houses have R-19 insulation. Illinois does not. Illinois will not accept a basement well and Iowa will. Iowa will take property with commercial zoning. Illinois will not. Iowa appraisers are insistent that positive grade be set up away from the foundation and that re-sodding, not seeding, be done to disturbed areas. This is not a concern in Illinois. Iowa will allow knob and tube wiring. Illinois will not. In Iowa, a tiny bit of peeling or chipped paint is an issue. In Illinois it is not.

Further, Iowa's FHA requires that if a rural home has a well and if that home is even close to a rural water system, that that home must be hooked up to the rural water system. Now, we are not objecting to rural water because we know it is needed and we know there are well problems and water problems across the State but this is even the case if the well meets the chemical and the bacteriological requirements of the State health department, and if water was running in front of the property, the minimum costs would be about $1,500 to do the hookup. The question is: Who is going to pay for that, the buyer? The buyer is already stretching if they are using an FHA loan to get into the home of their dreams.

The FHA is also now disallowing financing of existing appliances as a part of a home sale. They consider that to be personal property which can wear out or has to be removed even though it may be a built-in dishwasher or compactor—trash compactor or something of that kind. So the parties have to negotiate separately for these particular appliance items. They do this by bill of sale or by completing an agreement that says that the property is—or that the appliances are of no value. Then the FHA comes back around and says to them, asks them to sign a statement that they do not have side agreements with regard to the purchase of the property. And so the conflicts go on, the nitpicking goes on. It is a question that happens with both FmHA and FHA.

We feel that the requirements for home ownership should center around safeness and sanitation rather than chipped paint or sodding of the yard. Further, we believe that purchasers should be allowed to participate in some type of swept equity program as a part of the buyers acquisition costs on certain properties that may need to have work done to them. We also believe that the use of individual retirement account funds for costs associated with home purchases should be considered.

And our second point on the need for more and better paying jobs in the State of Iowa I think more or less speaks for itself but I will say this, the "nitpicking" that we are seeing on loans right now are not—it is not just happening with FmHA and FHA but we feel that it does go back to the thrift bailout and when you get right down to it, the question of verification and documentation will not necessarily secure a loan. What really secures loans is jobs for people in the area that they live in.

So I thank you for the opportunity to testify.

[The prepared statement of Mr. Osthus appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you.

STATEMENT OF MARCIA HEGGEN, DIRECTOR, AGRICARE PROGRAM

Ms. HEGGEN. Thank you. I wish to submit these materials for the record.

Mr. NAGLE. Thank you. They will be made part of the record.

Ms. HEGGEN. I want to thank you Congressman Nagle and Congressman English for giving me the opportunity to speak here this morning and share with you the AgriCare Program and I hope that over the next few minutes that you will come to have a better understanding of this type of program and how I feel it can impact on rural communities because of the services it does provide.

Briefly, AgriCare is an occupational health and safety program that is aimed at agricultural occupations and our particular program focuses very much on the farm family and those individuals that work in agricultural type of occupations locally.

AgriCare is one of two pilot programs that was established through the University of Iowa Health and Safety Service Project in 1987. And basically I think there are two broad benefits of a program such as this in our rural communities. One is that it serves a very at risk and underserved population, that being our farmers and their families and agricultural workers.

Agriculture has played a very vital role in our country's history and continues to do so both economically and socially. Because of that, I think it is important to note that agriculture has been identified as one of the most hazardous occupations in the United States. It is rivaled only by mining and forestry. In 1986, there were 1,600 deaths related to agriculture and that does not include the 300 children that died because of agricultural type injuries. Annually, there are 170,000 disabling farm injuries, half of which result in permanent disability for the individuals that incur the injuries. Farming and agriculture is unique in that it has much family participation. Having people that participate across the age span that have varying health concerns must be considered. These statistics also do not address the acute and chronic health problems that we feel are related to agricultural type work.

To me, the message is very clear that if we are to keep families in farming and we are to keep people in agricultural related occupations, we must keep them healthy and we must help provide them services that can do that.

I think the second general benefit of a program such as this to our rural communities is as an outreach program that it provides rural hospitals with a service that directly addresses the special health needs of this very specific and very large segment of our population. A program such as this encourages people to utilize their local hospitals and to see them as their primary health care resource.

I think one of the key components for communities in attracting new businesses and new people to their community is a viable health care system and networking. Specifically, the AgriCare pro-

gram focuses on the prevention of occupational disease and injury related to farming and ag related work and this is accomplished through comprehensive occupational health screenings, industrial hygiene services and continuing education and follow-up with individuals. It is meant to be a complement to services that are already provided in our communities but that is very specific in its focus and is providing occupational services to a population that is currently not receiving them.

It is extremely important for this type of a program to be a grassroots type of movement. It must have very strong community support not only from the farming community but from our business communities, our other organizations within our communities and the health community as well.

Another very critical component is the type of support that we have had both from the University of Iowa providing educational and technical support for our program and from other organizations and from Iowa State University as well. It enables us to provide our members with up to date knowledge and research in areas of concern regarding their personal health. We have had very favorable and enthusiastic response to the program. Individuals that have come through our program have been sold on the comprehensiveness of it, the continued follow-up that is provided and have commented that it addresses very much needed concerns that they have had in regard to farming. This is a population that traditionally is very independent, very self-reliant and also tends to accept the responsibility for the hazards that occur for their occupation. What we are finding is that these individuals are reaching out for resources that can address some of the concerns that they are having with modern farming practices today and how they affect their health and how they can best address some of these risks and hazards.

So basically what AgriCare is about is getting health services to the farmer and helping to train health professionals so that they can be more up to date and knowledgeable about the types of illnesses and injuries that are related to agriculture. I think that all of us, whether we farm or not, need to be aware of the problems that farmers face and the impact that these problems can ultimately have on all of us and then work with the farmers to try to address some of these concerns and find some solutions.

Thank you.

[The prepared statement of Ms. Heggen appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you very much.

Bill Blakley, the Iowa Telephone Association.

STATEMENT OF WILLIAM R. BLAKLEY, FIRST VICE PRESIDENT, IOWA TELEPHONE ASSOCIATION

Mr. BLAKLEY. Thank you, Congressman English and Congressman Nagle for coming to Iowa to hold your hearings and we thank you for being able to participate in these hearings.

I am William Blakley. I am the manager of the Dumont Telephone Co. at Dumont, Iowa.

Mr. NAGLE. That is a real garden spot, Glenn.

Mr. BLAKLEY. Thank you.

Mr. NAGLE. They have a great parade. They always put me behind the horses.

Mr. BLAKLEY. I will note that Congressman.

We operate a very, very small telephone system in Butler County, Iowa. We have 550 access lines, not very big. We also operate the cable television system in our community serving 240 persons in our community with basic cable television service and since divestiture, we have been able to expand in the communities around our town to provide business services to some 45 to 50 business clients in our communities.

But I am here today as the first vice president of the Iowa Telephone Association. The Iowa Telephone Association is an association of all the telephone companies in the State of Iowa. We number 161 individual companies. Iowa boasts the most telephone companies of any State in the Union. Many persons have said that a backbone of economic development is a modern system for data and information transfer. That means a modern, efficient, telecommunications network.

Recent studies have indicated that rural America may not have as modern and efficient network as urban America. We in Iowa do not believe that our customers suffer that fate. For instance, let me cite a few examples. All of the telephones in Iowa are served by 836 central offices. Of these offices, 413 are of the digital switching technology, the very latest switching design in use today. And another 22 towns have plans for digital conversions in 1989. When people think of Iowa, they sometimes think that modern telecommunications technology has not reached our State. That is a long way from the real facts.

Another example, 128 of the smallest telephone companies have just formed a new corporation in our State called Iowa Network Services. Its purpose was to install a brand new fiber-optic network that crisscrossed Iowa linking the 128 companies and approximately 200 towns to a central switching system in Des Moines. This enabled the approximate 200 towns and the customers they serve to offer equal access to their subscribers, not only equal access on the inter-LATA but for the first time ever in our Nation equal access in the LATA. Not only does this service these subscribers but in a short time fiber will be offered by Iowa Network Services to industry and other communications users. This network connects such towns as Des Moines, Fort Dodge, Sioux City, Waterloo, Cedar Rapids, Des Moines, Knoxville, Mason City, and to Omaha in Nebraska.

One other example I might cite of communication companies in Iowa, they have—I have been told that very recently, two companies in our State have started putting fiber-optic cables to the subscribers residences.

We of the Iowa Telephone Association have done a poor job in telling the Iowa telecommunications story. We need to tell all who are in there as to just what is available in Iowa. The Iowa Telephone Association has initiated a project to prove that the No. 1 telecommunications network, indeed, exists in Iowa. With this information assembled, we hope to work with the economic development people to spread the word. Because of this lack of informa-

tion, we have seen legislative activities at both the State and Federal levels to provide funding for more telecommunications facilities which are nothing but a duplication of our existing facilities.

An example is S. 1036, the Rural Partnership Act of 1989, provides Federal funding to allow entities to construct new duplicate telecommunications facilities without any consideration of the existing network and the effects it would have. We do not think we need this kind of economic development.

We are here. We want to serve you in the State of Iowa. We think we have a telecommunications network in place second to none other and we intend to prove it. As an officer of the Iowa Telephone Association, I pledge the efforts of our members to provide a network that will take our State well into the 21st century, a network that will continue to grow and meet the needs of a new and expanding economy. We want to help make Iowa a place to grow.

Mr. NAGLE. Thank you very much, Bill. I appreciate that.

Our next witness is Dave Smith, who is the administrator of the Mitchell County Hospital and who early in my would-be congressional career was kind enough to explain the intricacies of Medicare regulations to me. He represents a small hospital in Osage, Iowa and I think from my travels around the district what Dave is confronting in Osage is fairly typical of what the hospitals are encountering in terms of trying to meet costs and still provide services in our smaller communities.

Mr. Smith.

STATEMENT OF DAVID M. SMITH, CHIEF EXECUTIVE OFFICER, MITCHELL COUNTY MEMORIAL HOSPITAL

Mr. SMITH. Thank you, Congressman. You just blew my whole speech. [Laughter.]

In rural Iowa, the hospital is a critical component of the agricultural community's economic, social, and political infrastructure. As you well know, rural America embraces about 25 percent of the population, 40 percent of the hospitals, 23 percent of acute care beds in those hospitals and 20 percent of the utilization. That is on the national basis, but in States like ours, those figures basically are doubled. Eighty percent of Iowa's hospitals, 47 percent of its beds, approximately 40 percent of utilization occurs in rural Iowa hospitals like my own.

We are well aware of the significant contributions that our hospitals play to the health, social well-being, and economic viability of rural Iowa.

Since 1980, of course, the health care system, particularly the rural health care system has undergone dramatic change. There are several critical issues, including the changed use of inpatient/outpatient, physician, long-term care, and home-health care services; the changing payment systems that provides inadequate and inequitable payment to Iowa's hospital and physicians; the shortage of physicians, nurses, and other allied health professions or professionals; the excessive level and scope of governmental payor and voluntary regulation which at times conflicts with one an-

other, it appears; and the other major issue is the aging of our rural Iowa which is one of the most critical and challenging issues.

We face that in the hospital sector and with that, it keeps coming back to Medicare because of the payment system.

The changed utilization, the hospitals have been faced with the reduction in admissions of about 41 percent, and about a 26 percent reduction in patient days, we have seen a big increase in outpatient visits by about 53 percent, a reduction in births and a dramatic shift in the percent of outpatients has occurred.

The changing payment system has dealt harshly with the rural hospitals and physicians, the backbone of our rural health system. The payment amounts to the rural hospitals and the physicians has been and continues to be inequitable. The combined effect of inequitable payment and the regulated change in medical practice places rural hospitals and rural physician practices in jeopardy.

The Iowa urban hospitals have received an average of 30 percent more than the amount Iowa's small rural hospitals are paid by the Medicare system. There has been a little improvement over prior years, thanks to you and your peers help, and we hope you will continue with that and also encourage the other Members of Congress to get involved.

The rural hospitals, due to the payment process, have consistently had negative patient revenue margins. In a recent 1987 study, 32 of our Iowa hospitals had negative total revenue operating margins. In these situations, I think most of these hospitals have been able to stay afloat due to tax subsidies, items of that nature, and their services are needed and we hope the communities will keep supporting that process.

Personnel shortages are another area that must be addressed to maintain access to the health care services in rural Iowa. In order to help address the physician shortage, full funding in the National Health Service Corps scholarship and field placement programs, as well as a loan repayment program should occur.

Our nursing shortage does not appear to be improving rapidly. A recent study completed by our Iowa Hospital Organization of Nurse Executives identified a current RN vacancy rate of about 7.74 percent, particularly in our rural hospitals. The rural hospital seems to be hit hard trying to compete with our urban counterpart in trying to woo those folks to the rural area.

Shortages of other health care professionals has also reached some critical dimensions, particularly in physical therapy, pharmacy, laboratory, x-ray technicians, are in very short supply.

The aging of Iowa also creates another significant issue, and we have, as I understand it, the fourth highest proportion of elderly in this country. The elderly, of course, utilize the greatest share of our health care services and we need to have the support of your help in setting a fair and equitable Medicare reimbursement process.

I would respectfully recommend for your consideration some of the following actions: Adoption of a Federal health policy to allow and encourage rural hospitals to be the focal point for health and social service provisions; payment to rural hospitals for Medicare patients must be increased, the inequitable and inadequate payment to rural hospitals must be eliminated as quickly as possible; adequate payment for nonacute services is imperative and since

Federal policy has encouraged less in-patient care, more out-patient care, long-term care, home-health care, et cetera, adequate payment for these nonacute services must follow; rural hospitals must have some regulatory and payment flexibility. Obstacles blocking rural hospitals from quickly responding to changing community needs must be eliminated; expensive, excessive and conflicting regulation and payment, utilization review, and certification standards must be identified and eliminated; and additional funding is needed to support the training and placement of our health practitioners, including physicians, nurses and other allied health professionals in the rural setting.

Leadership in this development of the rural health policy and address of our rural health issues must come from you, Congress.

Thank you for your leadership in the role you have given and your consideration to continue to address rural health and rural hospital issues.

Thank you.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you very much, Dave.

Our next witness will be Jim Pribyl who represents U S West Communications. Jim.

STATEMENT OF JAMES C. PRIBYL, DIRECTOR, GOVERNMENT RELATIONS, U S WEST COMMUNICATIONS

Mr. PRIBYL. Thank you Congressman, Chairman Nagle at the moment.

Mr. NAGLE. I like that Chairman Nagle. You can call me anything you want, but chairman has a nice ring to it, particularly since English is out of the room. [Laughter.]

Mr. PRIBYL. Mr. Chairman, it is a pleasure to call you, Mr. Chairman. I am going to ad lib a brief summary of our submitted testimony which you will receive subsequent to the hearing.

Mr. NAGLE. Your testimony will be made part of the record.

Mr. PRIBYL. Thank you very much, Chairman Nagle. I want to reinforce a couple of points that Mr. Bill Blakley made in behalf of the Iowa Telephone Association, of which we are also a member albeit probably one of the larger members of the Iowa telephone industry. We at U S West Communications serve nearly 900,000 access lines in 127 communities in Iowa. In the third district, that number reflects about 130,000 lines in about 20 towns, not only your larger communities, Mr. Chairman, of Cedar Falls, Waterloo, Iowa City, and Marshalltown, where we are meeting today but also a number of smaller communities like Clarksville or Dike, Northwood, Osage, and so on. We have about 3,200 employees in Iowa, with a payroll of more than $91 million, which is probably guaranteed to go up with the successful completion of contract negotiations this weekend, or at least I hope so, otherwise I will be acting as an operator come midnight on Saturday.

Mr. Blakley made two main points that I would like to reinforce on behalf of U S West Communications. First of all, Iowa need not take a back seat to any other State with respect to the quality and the modern state-of-the-art telecommunications network the tele-

phone industry has brought to this State, all 161 local exchange companies as well as the interexchange carriers that serve this State. As an example, U S West Communications alone has more than 800 miles of fiber-optic transmission network. We annually invest in Iowa on the average more than $80 million a year in new plants and equipment. This year as an example, just about 1 month ago, we dedicated or opened a new switch in Cedar Falls, a switch that cost about $4.5 million. So we make a continuing significant investment in the communications network of this State to serve this State's citizens, both its residential needs and its business needs.

Now, there is much that has been said about economic development in recent years and about the need for a viable state-of-the-art communications network. Communications is more than simply an economic development buzz word, it is a reality. There is an increasing commitment and understanding that communications infrastructure today is every bit as important to rural development as paved highways were a generation ago, as railroads might have been 100 years ago in the development of our society. We are committed to building on that need and serving that need because our destiny, our profitability, indeed our jobs as well as the viability of Mr. Blakley's company, depend on a viable growing rural economy. Sometimes those forces are out of our control. Obviously, the economic forces that are national in scope are not much that we can influence. On the other hand, we all participate, whether we are small or large companies, in State and local economic development initiatives that help build Iowa and help create jobs.

Beyond that, what drives the investment that private investors make in the Iowa communications infrastructure? Two principal reasons, first of all, the opportunity to make a profit on that investment, to realize a rate of return, that is just as important perhaps to Mr. Blakley's company as it is to ours. And, second, State and Federal regulatory policies that influence the viability of this industry. There are both incentives that State and Federal policy make available to us as well as disincentives.

Mr. Blakley mentioned S. 1036, which may in fact have a possible disincentive because it encourages by-pass of some facets of this industry. On the other hand, there are other sorts of policies having to do with regulatory policies of the FCC, of the State regulatory board, that is Iowa's utilities board, that affect our investment decisions. As an example, in order to put in, modernize, or upgrade a local switch or local network, we sometimes have to take out of service a plant that while it is technologically functional, it has been replaced by other technology that may not be fully depreciated yet. So the question becomes: How do we recover the costs when that depreciation has not been fully realized?

There are tax issues that are a function of the federal Congress to decide. We seek to continue a normalization of our Federal tax liability in many instances. So that blend of State and Federal regulatory and communications policy is very important to the continued viability of the communications infrastructure in Iowa and we commend, Mr. Chairman, your committee and its interests in this industry to help rural Iowa grow.

With that, we will be available for any questions.

[The prepared statement of Mr. Pribyl appears at the conclusion of the hearing.]

Mr. NAGLE. I thank you for your statement. I thank the panel for an excellent presentation.

If the audience will notice, we have water, housing, communications, and health care all on this panel and that is not an accident, it is because every community needs those essential functions. You cannot have a community if you do not have water. You cannot have a community if you do not have places to put people, to house them. You cannot have a community if you do not have an ability to communicate outside that community. You cannot have a community if you do not have access to health care. And you have a unique feature in Iowa and that is the need to focus on the interrelationship between rural health care and the unique hazards of farming and the industry itself which has now become the most dangerous health hazard industry in the Nation.

I do not want to ask every one of you a question but I do have some specifics that I do want to explore.

Ray, I am just utterly astounded at what you described as what you go through to try to get an FmHA or an FHA loan to buy a house. Let me say as a backdrop to that, that the average medium priced house in Washington, DC—I am glad you are all sitting down—the average medium priced house in Washington, DC is $489,000. I tell you that so you know why we need a raise. [Laughter.]

But it also points out what a tremendous opportunity we have in this State because for $20,000 or $30,000, or for $40,000 you can live in Iowa and not only own your own home, you can have a garage, you can have a basement, you can have a garden, and all of those features, a yard, a garage, a basement, a garden are regarded as accessories in the Washington, DC and the major metropolitan housing markets. One of the features we do have here is if you want to own a home, if you want to have a space, you have that opportunity and clearly I think what you are telling me, Ray, first of all there is housing available within this State. But when you described in your testimony and I want to focus on it—I want to move along but I want to focus on it too, because I just—you cannot, if you want an FmHA loan, you cannot—the house cannot have a sliding glass door?

Mr. OSTHUS. Well, I think that is a utility issue with them. What they are talking about is cost of utilities and, yes, that is a requirement. It cannot have sliding glass doors to a deck or a patio.

Mr. NAGLE. You cannot have—you can get struck out if the bedroom is 8 by 9 feet, but if it is 8 by 10 feet, it is OK?

Mr. OSTHUS. There are bedroom size requirements. In some three bedroom homes, you will find a smaller bedroom and that is one of them I did not mention in the verbal testimony but that is right, it has to be a minimum size of 8 foot by 10 feet.

Mr. NAGLE. I understand you can have a garage—you can have a basement but you cannot have a garage, or you can have a garage but you cannot have a basement?

Mr. OSTHUS. Well, basically on a ranch style you cannot have—anything new that they are building, that is new construction that FmHA would be involved in. And anything new that they build, if

it is ranch style, they do not put a basement under it. This is something I cannot understand because when those people go to resell those homes, there is a natural resistance among Iowaians to buy a home without a basement and simply because, as I mentioned, of storms, not to mention the fact that there is no place to store anything. The property has become—there is an opportunity to have a little more clutter around an area without—you know, around a home without storage areas and it is a real problem.

Mr. NAGLE. Why—it sounds to me like we have a bunch of people administering the program that do not want it to work. Why these rules and regulations?

Mr. OSTHUS. Well, I do not know. We are only——

Mr. NAGLE. There is no sense talking about a water hookup across your county water association, you know, I mean if you cannot—if the thing has got a glass sliding door in the back end, it is out. I mean it just does not make any sense to this Congressman. What is the reason?

Mr. OSTHUS. Well, I am sure the glass sliding door thing has to do with cost of utilities. What they are trying to do is be sure that—these people are generally low income people and what they are trying to be sure is that they can afford to live in the home after they once purchase it. But just because a home has glass sliding doors does not necessarily mean it is going to have high utility bills. I could only speculate with you as to why there is—you know, we are finding a variance from FmHA office to FmHA office too on some things. I mean it gets down to the interpretation of the people that are sitting there. I am sure that all of the keys that got tossed on the desks of FmHA, not to mention the savings and loans, and the banks in Iowa in the early 1980's as people walked away from their home has a lot to do with the nitpicking that is going on today. So what we are talking about is portfolio management. We have a situation where somebody on one side is saying you got too many real estate owned properties in that portfolio. You have to reduce it, so the individual who is the manager in a particular area is going to be a lot more careful in the homes that they lend on and also to the people that they lend to. But I have still go back to the fact that it does not really make any difference how much documentation or verification that a lender of any sort does, if there are not jobs in the area, those people will be the foreclosure and the bankruptcy statistics in this country.

Mr. NAGLE. Well, I was talking to Glenn while you were testifying. I think he and I concur that if we have further hearings, and I anticipate that we will, one of the things that I want to urge Glenn to do is if he can, is we are going to hold some oversight hearings on the administration of the housing program and find out why in the world this is going on because this is not right. I mean I was in Ossian, Blakley, it is an enlightened town. the Congressman walks ahead of the horses in Ossian as opposed to Dumont. [Laughter.]

But I have to say that, you know, when talking to the mayor up there, and I do not mean to pick on Ossian because I think this is true of Gladbrook or Dysart, or a lot of other towns, you have a lot of homes there where you have one person, generally female, living in a house by herself unable to sell it so they remain there. And you have young people who would like to get started with their

first home that are unable to obtain the financing because of the overly restrictive requirements that we have to make this program work. And it seems to me that one of the assets that we have not talked about that this State has and that rural America has is we have affordable housing. You do not need $489,000 to buy a house. I think the finance—I think the houses in Los Angeles medium priced are around $180,000. It requires a $30,000 down payment, you know, the kind of cash that just simply drives people out of the housing market.

One of the things I think we have to do for rural America is for the opportunity, if you move to Iowa or you move to Oklahoma where Glenn is from, you can own a home, you can have a yard. And your testimony is loud and clear on that point.

Now, I am curious, Blakley, where is the financing of this modernization of the telecommunications coming from? You talked about people moving to digital switching, the various rural companies moving to digital switching. I mean where do you find it—how is that financed, those kind of changes?

Mr. BLAKLEY. Several different ways, Congressman. One is through investor capital in some parts of the State. In my particular situation, a local hometown corporation that obtained their financing right in their own hometown at their local bank. It took a number of years to get to where we are, but we are there.

Others in our State have looked to insurance companies for financing. Others, and a great deal of them, have looked to the REA for telephone loans.

Mr. NAGLE. I was going to ask about that. Tie in the REA in relationship to the phone companies for me, will you in terms of their financing mechanisms?

Mr. BLAKLEY. In the early 1950's, the REA opened a program whereby telephone corporations could apply for Government loans to modernize telephone communications in rural America and they set down very definite requirements that companies had to meet. In that time in telephony it was hard to find financing. The banks did not have that kind of money. They were not interested in those long-term loans. Insurance companies' money was limited. Local money was not available at all. So the REA made loans not only in Iowa but probably in every State in the Nation to finance rural telephony. It brought telephony in America from the days of the crank telephone and the 18-party line to the digital switches and private lines to rural America that we have today.

It had a loan program that was administered out of Washington and through regional offices throughout our country. It employed people to oversee those loans and to administer those loans. It required certified engineers to design and construct these systems. They were low interest loans, in the beginning at 2 percent and has since evolved to the Rural Telephone Bank today where funds are available to certain cooperative and investor-owned telephone companies. It certainly did lots to bring telephone communications, modern telephone communications, to rural America.

Mr. NAGLE. What would the effect have been if Congress had gone along with President Reagan and cut the financing mechanisms for the REA?

Mr. BLAKLEY. First, I would say that I am not an REA borrower. I hope I can answer those questions. I think that there is still need in some sections of our country today for REA loans to continue the modernization of telecommunications services. I do not think the program is finished. I think there is a need today for modernization of the early companies. The early companies did not put in digital switches and one-party lines. They put in dial phones and eight-party lines and there is still a need for updating of some of the earlier systems to digital technology. There is a need in the REA I feel, a need for Government to continue the REA Program as a research and development arm of the telecommunications industry. The REA through its engineering people that were employed in Washington developed many of the products that were the forerunner of the products we use today that allowed rural telephony to have single-party lines, and they set down requirements to manufacturers that they had to meet in order to provide materials for these systems. I think today that the REA in my own opinion, maybe not the opinion of the Telephone Association, that our move to fiber technology in the local subscriber loop needs research and development and it needs engineering people to look at these things that are available and to develop new products so rural America can have fiber at their homes. They can read water meters. They can read electric meters. They can have data communications between farms. They can have telephony and, of course, it would allow rural America to have television services if some of the cross ownership features that exist today—if those bans were lifted.

Mr. NAGLE. Well, I thank you. I have—actually I could talk to all of you with a series of questions but I note our time and I note that we want to get back to target if we can. I think your testimony is excellent and I thank all of you for being here this morning.

Let me yield back to the Chairman, Mr. English, if you have any questions.

Mr. ENGLISH. I have no questions. I just simply want to say I appreciate your testimony very much. It is very helpful to us, and thank you very much.

Mr. NAGLE. Thank you. We will call our next panel. If the next panel would come up, I'll be happy to introduce you.

Mr. ENGLISH. Mr. Chairman, I might say I want to encourage our next panel, if we could, to be certain to summarize their testimony. We are getting a bit behind and that is going to make it difficult, particularly later in the day, for those witnesses. We need to hold to the schedule if we can, please.

Mr. NAGLE. Our next panel, and I am going to make an addition here, we have the Honorable Einer Lunde, who is the mayor of Northwood; the Honorable Stan Brown, who is the mayor of Marshalltown; Kent Holst from Traer Utilities; and then something somewhat unusual but I think valuable, we have Amanda Harlan and Scott Kilborn, who are members of the Marshall County 4-H for their thoughts on this subject; and I looked out in the audience and I saw Robert Burrows who is the mayor of Belle Plaine, a real success story. And Robert, Your Honor, I want you to at least—I may not ask you any questions but I would like you to come up and sit with the panel. I did not realize you were going to be here this

morning, but he has done some outstanding work in Belle Plaine, Iowa and I want to acknowledge his presence. We may even afford you the opportunity to say a word or two. You get out of town and you get all your praise.

Let me start with Mr. Lunde if I could.

Einer, are you ready?

STATEMENT OF EINER M. LUNDE, MAYOR, NORTHWOOD, IA

Mr. LUNDE. I hope so. I will try and be brief so we can try and catch up here, and just give a summary.

As you indicated in your introduction, I am mayor of Northwood and we are probably one of the smaller communities to be allowed an opportunity to present some testimony in this hearing.

We are located—Northwood, as many of you probably are not aware where we are at—we are located in the north central part of the State on Highway 65 just south of the Minnesota border. We are approximately 7 miles off of Interstate 35.

We are a community of a population that I feel is still about 2,200, which was our 1980 census and I feel that we have been successful by being able to achieve and hold our own during this decade of the 1980's. This decade has probably been one that has not been kind to smalltown America.

To give you a little background on what we have been doing in our community and the programs that we have used that have worked for us, several years ago residents of our community determined the need that we were going to have to diversify our economy away from ag-related—and this is back before it was the buzz word. A local development corporation was formed in the 1960's and located a small industry in our town called Carroll George, Inc. They are still there.

During the intervening years, we were not able to locate any other industries for some period of time but we did do some groundwork in our community to help make it possible for us to do some future things. In the mid-1970's, we upgraded our water system by installing a 500,000 gallon above-ground storage facility and enlarging the distribution system with larger lines and served areas of the community that had not been served by water prior to that. We utilized at that point the Farmers Home Administration with a public facility loan.

In the 1970's, we also recognized the fact that our wastewater treatment facility was not going to be adequate and the interceptor lines were too shallow. We happen to be located on a part of Iowa that is flat, believe it or not, so our interceptor lines were coming up out of the ground. We were running out of fall. This project was funded by an EPA grant in December 1980 and was completed in 1983. We utilized the combination of the EPA grant, Farmers Home public facility loans, local general obligation bonds, and local revenue bonds. I am telling you this just to give you a background as to what we needed to make our next step.

In the fall of 1980, we happened to come in contact with a small struggling cabinet manufacturer called Fieldstone Cabinetry. We spent about 1 year in trying to put together various scenarios to locate this facility in our community and in the fall of 1981, just

about 1 year after we first met with these people, we were able to announce that they were going to start a new facility in Northwood and move to our community. Little did we know at that time what that operation was going to turn into.

They opened in 1982 with approximately 25 to 30 employees, and they have grown today to an employer of about 350 people in our community.

Mr. NAGLE. Einer, if I can interrupt you, the Fieldstone that you found, the struggling company that you found in 1980, now what did the community do? What did the State do? What was the package of the project there?

Mr. LUNDE. OK, back in 1981 the availability of a lot of the programs that are utilized today just was not there. So the only program that we used that was not local was the Small Business Administration guarantee for operating capital and also for a building loan. The community built the building and leased it to the company with the SBA guarantee. We raised in the community $150,000 to be used as equity to match the—the project cost about $550,000. We raised $150,000 in local money through the sale of debentures that paid an interest rate, and borrowed the rest from the local bank with an SBA guarantee. So that is how that package was put together.

In the following years, we did get into some innovative things when they were in their expansionary mode. In 1984, they determined the need to add another product line and we applied in January 1985 for a CDBG grant and were successful. Again, in 1986 they were building another addition. We applied again and were successful with a CDBG grant. So those programs have worked for us in the past.

We have also seen the beginning of another company that has used the CDBG program, a company manufacturing glass solariums and sunrooms.

Just this year, Carroll George company that located in our community in 1964 is expanding. We again had to do some things to make that happen. We went to the CDBG public facility component and received a grant to extend a larger and deeper sewer line to serve the facility. This project is going to result in an increase in employment at their facility of about 40 jobs.

With the activity that we have experienced, we have a new and different problem that we had not really given a whole lot of thought to 5 years ago. We need housing and this is something that comes with the creation of jobs in rural communities. We have probably a couple of things that I see in the housing situation and one was alluded to here just a bit ago in your last panel, with the FmHA. They are somewhat limited in what they can fund in used housing, new housing. We also are in need of some rental housing. We have been having a committee working on this for about a year and half and it looks like it is going to get very close to fruition.

Our employees, as I see it, are hit with a two wave problem. The down payment requirements are perhaps a little restrictive. The interest rates in the conventional funding—financing is still a little high. Certainly our homes are less expensive than they are in the urban areas. Our people are not paid what the people are in the urban areas either. Many of the normal home mortgage originators

that were in many of these small communities perhaps are still there but they are today a branch of some larger financial institution that may have their headquarters not certainly in a town like Northwood but in much larger towns, perhaps Des Moines. I think we tend to lose some of the sense they feel for the small town and what may be happening in the small town when the loan decisions are not made there at the local basis.

Mr. NAGLE. Do you have, if I could interrupt you, and I want to address this not only to you but to Stan and Kent as well, and Bob, are you having any spec housing, median income spec housing built in your homes?

Mr. LUNDE. No, we have none in Northwood.

Mr. NAGLE. Stan, do you have any going on right here?

Mr. BROWN. None to my knowledge that is going on at the present time. There is some improvement seen in generally speaking building. The construction area, yes, but not any housing tracts.

Mr. NAGLE. Bob, how about Belle Plaine?

Mr. BURROWS. I wish we did, sir, but we really do not. The prior panel, what this man pointed out with FmHA——

Mr. NAGLE. Ray Osthus.

Mr. BURROWS. Yes, that is bad without basements in the State of Iowa as you well know. Somebody from Florida must have had that idea.

Mr. NAGLE. Kent, is anything going on in Traer?

Mr. HOLST. No spec houses at all.

Mr. NAGLE. Mayor, go ahead and conclude your testimony. I am sorry to interrupt you.

Mr. LUNDE. That is fine. I just have a couple of things I guess I would suggest that your committee consider when you are putting together the bill. Certainly in most small communities, particularly in Iowa and I am sure the rest of the country, infrastructure becomes a necessity. If they are going to create jobs, there has to be the infrastructure in place. I guess I feel perhaps the best way to deliver on that is a program that is already in place and we have utilized this program in Northwood and this is why I feel it probably has the best potential and that would be to maybe enhance the CDBG Program, perhaps put a component in there where it would target rural development with the delivery system being left at the State level, such as it is.

And, of course, we are very concerned about some more type of affordable housing. The people that we have put to work in our community, many of them would like to live there. I get calls constantly. I get more calls as a mayor, somebody wanting to know if I know of a place to rent than I do on dogs, and I mean for a small-town mayor, getting more calls on houses than dogs, you have a housing problem. It is a nice problem to have and we certainly would like to solve this problem.

I think perhaps one thing that Farmers Home could possibly do in addition to the Interest Credit Loan Program which is the only loan program they have, I think perhaps some consideration could be given to going back to making conventional home mortgages such as they did years ago. What I tend to see with some of our young working families, and today they are not going to make if

the husband and wife both do not work or at least one of them have a part-time job, and many times the dual income will throw them just over the limitation for the low-income guidelines at Farmers Home they have. Well, there they sit. They are beyond the Farmers Home guidelines and they are still not perhaps to an income level or have the down payment requirement that a conventional lender might have if, in fact, he would even make a loan in a small town. Many of them are shying away from small communities.

Mr. NAGLE. Well, the other problem on that, and Ray did not touch on it, is that you start—I think Fieldstone is paying around $7 or $8 an hour with a package of health insurance. The problem you have if you are a young couple, and we have had this in case after case, is you start and you buy a home, if you are one of the fortunate few that gets FmHA financing, and the minute you trip over that line, it is just not cost affordable anymore and you end up abandoning the home. So, you know, that is a program I think we are going to have to get into as we focus on rural development in this State.

Mr. LUNDE. I think a complete rural development program has to include some method of housing the people that you are going to attract—try to attract to the rural area, and that perhaps might be one method to do it. We have also been attempting over the last couple of years to provide some—I guess I alluded to it earlier—some rental housing. We have found that in a community of our size to try and attract private investment to build rental housing, it is just not there. Their return, their liquidity in the more urban areas are just too great to make it attractive for them to put up rental property in a town our size.

So those are a couple of the things that I would suggest you look at along with I am sure many others that you are going to look at. I thank you very much for an opportunity to speak.

Mr. NAGLE. Thank you.

I am going to ask the remaining panel members to summarize if you can. We are running into my time sequence with the exception of Amanda and Scott and we are going to give you full time. But Stan Brown, first of all, mayor of Marshalltown, let me thank you for having us here. Let me thank you for the community's cooperation. I hope there is a reciprocity in our arrangement here. I hope this focuses not only on your needs but also perhaps highlight some of these success stories of Marshall County, Tama County, Benton County, and the central Iowa region.

[The prepared statement of Mr. Lunde appears at the conclusion of the hearing.]

Mr. NAGLE. Mr. Stan Brown.

STATEMENT OF STAN E. BROWN, MAYOR, MARSHALLTOWN, IA

Mr. BROWN. Congressman Nagle and Congressman English, we are very happy to have you here. Welcome to this city, and I am going to try to go through this somewhat systematically I hope. There is not a great deal that I can add to what has already been put forth to you gentlemen in regard to what I call maybe some of the in-house areas where we can work in cities of our size and the

smaller ones in the surrounding areas. I have a couple of examples, at least one that happened to me just yesterday in that regard.

Let me mention something that I want to bring out here. I feel that for our community anyway, in this area we are very much concerned about four things that I think could very well be of consequence, great consequence to not only us in the State to the Federal Government and I would look forward to assistance in these areas by both governments, that is, State and Federal.

Of course, you have to understand now that you are in, and I am speaking now I think basically to Congressman English, I know I have been in Oklahoma, you are in probably the midst and the middle of the greatest agricultural area in the United States we say. So consequently, we in Marshalltown, we are diversified in industry and in agriculture. We have both agricultural areas and industries here, and we also have some very, very fine industries in which a lot of our people throughout the county work in. So we are subject to many barbs, many shocks as to both areas, industry outside of agriculture and agricultural industry. But I want you to think in terms that we are proud of our heritage and the traditions of the corn and hogs. I like to expound upon this. I will not do it here but I have in other places as to how important it is when it comes to the percentage of the food that comes from the State of Iowa that is on your table everyday throughout the country. But we must remember this, that the methods of processing these commodities by our farmers or our agricultural area in this State is changing, it has been changing in some cases day by day to the point where we are now in a biotech age and we know that.

So consequently, what I am saying to you is this. I think we should have (a) we should have more research. There should be more research and we are getting it from the Federal Government and also the State over at Ames, Iowa, with not only the National Livestock Institution over there but also of other agricultural related courses that are taken and research is being done. I believe that is most important, one of the most that I have of five things that I would like to see done.

I am not going to express what we have done in the city of Marshalltown too much because I think this is something that we can relate not only to other people but it makes more sense what we have done, but what we would have done had we been helped by the Federal and the State Government.

Research as far as I am concerned, be that in our colleges and universities, give them the chance to bring together the expertise that we have not only in the State but in the country, and bring it into our area here so that we can take a look at it and do the experimentations and develop as we are doing right today, a higher quality of all of our agricultural products.

The other one is agribusiness. Maybe not so much today but in the past years, the agricultural products that are raised in the State of Iowa have been going outside to be processed. We do have some terrific mills and Cedar Rapids is one of them, but still there are products that are grown in the State of Iowa that are going out to be processed, packaged, and then sent either to the east or west coast or sold in our own stores. I think in that area of agribusiness of aid and locations for industry. Give them some sort of an incen-

tive and we try to in our economic development boards that we have both in the city, the chamber, and also the area—in our area, six schools and with our area, six rural development people.

The third thing is transportation and I would grade that as No. 1 as far as the State of Iowa is concerned. We are probably in most cases up there in the top of transportation. I am talking about transportation that transports, not only brings in, but egress, the products that we make here within the State of Iowa. Again, as I am saying, the impact upon the economy of Marshalltown in regard to rural development is great. This would give us the opportunity to help the products to be taken—to be brought in, the by-products and the finished products taken out.

We have an example of that right now in the city of Marshalltown where we with the help of the State in relationship to 18th Avenue. This is not significant in the sense of what it is; that is, the avenue. What its significance is it puts a beltline from one side of our city next to our economic development area. Industrial growths can be brought into an area where egress and being able to get out is fast.

Transportation is very important not only for that of the industry but also that of any other development in the city or in the States because it transports people to and from, and across the State. And we are in the middle of the United States and we do have a lot of people go through our State and many of them stop. So consequently, that is the other one.

The third item is that of support communities. We have support communities. Infrastructure has been mentioned already here. Water has been mentioned here and we are doing those things right now in our different areas throughout Marshall County and hopefully we can help those other counties around us. Support communities need not only the infrastructure in the area that was brought up in the case of water but streets, curbs, and gutters, sewers. They need those things because when they do get the opportunity to do those in their community, that brings more community pride. It brings more people to those communities. It does not just kind of disappear gradually. When there is no activity there that is perpetuated either by their own money or by some sort of an agreement with the Federal Government or the State government, then there is no real need in many cases other than take a look or sit down on the porch and see nothing.

This way I think if the support communities around our community especially can be given the opportunity to develop their areas, their industry, then possibly we can have a better climate in which we can do business in.

I think probably one of the things that I am concerned about also, and I am sure all the communities are, is municipal assistance which we had taken away from us I think in 1984 or 1985. Sometimes I think when there are these programs—I had one come across my desk not too long ago was, I will not mention the program or where it came from—but anyway it stated in the letter that I received that here is your opportunity. We have local option. You can do this and if you do not do this, or you do not have to do it, and if you do not do it, we will take away your grants. This has actually happened. So what I am saying is, you give us the opportu-

nity to do something but on one hand you say here is this, and the next hand something is taken away. If it is not through taxation, it is through some other method.

So consequently, I guess I would say of these four things, I must reiterate that of research is very, very important from the standpoint of agriculture and from the standpoint of the economic development, not only the city of Marshalltown but all of the State of Iowa.

Agribusinesses, let us keep them at home. Let us help them develop. Not only do they bring the raw materials in but they can process it, and package it and get it out on our own area.

Transportation, naturally highways. I did not mention rail. And by the way, Congressman Nagle should be congratulated for his work on the efforts of Amtrak. I would hope that all of the Congress people would at least give consideration to that because again, I must reiterate we are the central part of the State. We are the central part of the United States and we are in the hub of the agricultural area and, by the way, those products are shipped out also by railroads. Air is another one. And most of us that do have airports, we look for aid and we are really getting it. Marshalltown has done real well.

Mr. NAGLE. Now, now, now, you just got $840,000.

Mr. BROWN. I know. I was just going to mention that and thank you for that too. We also got another one and I cannot describe it. We received two very vital installations just in the last month and a half so we are very proud of that and we are thankful. There is no doubt about that. But I have to mention these things because to me they are important. There is a lot of important things out there and they have all been mentioned. So it is awfully hard for you I am sure to sift through it, but this is my suggestion to you is to follow these areas. I know there are a magnitude of things in each one of them. But it is basically the only thing I want to tell you. This is what we are interested in. The development of them is something we can help I would hope. It was mentioned that matching funds, this sometimes is somewhat burdensome on all of us, but yet again I think it has a basis for equality if you make application and the application goes through.

I thank you for the opportunity. That is basically what I would like to bring to your attention. Thank you very much.

Mr. NAGLE. Thank you.

Kent Holst is the Traer Municipal Utilities—is it president?

Mr. HOLST. General manager.

Mr. NAGLE. General manager. Kent, go ahead.

STATEMENT OF KENT R. HOLST, GENERAL MANAGER, TRAER MUNICIPAL UTILITIES

Mr. HOLST. In order to try to help you keep on time, I will not try to repeat things that have already been said today. I could relate a lot of things that are very similar and suggestions that—especially on the FmHA, we have run very strongly in that problem. Some of things that the mayor next to me from Northwood mentioned, I could get into because we have had a somewhat simi-

lar situation in our past, in our infrastructure, building and everything. We are slightly smaller than him, a 1,700 population.

So I will limit what I was going to say. Some of the things that we have done in the last couple of years that have not been touched on here, and maybe can have some effect on what you might do because, I think they might be worth encouraging other towns to do.

We were looking at the same problems that most small towns in Iowa have been having with the decline of agriculture and a lot less business than we had normally had. We are also somewhat of a bedroom community for Waterloo and we have quite a few residents that work in Marshalltown so we have a lot of people that travel to the jobs. But we were not satisfied to have a lackluster community like we were kind of headed into and a lot of small towns are faced with. They seem to be struggling with their identity.

So a couple of years ago, our community more or less decided not to die and we started putting programs together that would enhance our quality of life and we hope that we are going to be successful. Many of them are in place. Many of them are working well and I would share them. We started out by figuring out just what to do. We called town meetings. We would get together a group of people, 30 or 40 people that we thought might be interested in doing things for the community and decided what was right and what was wrong. We enlisted the help of some outside organizations, the Institute for Decision Making from UNI was very valuable to us. Main Street Iowa program helped us out. At that time, we did not qualify. It has recently been enacted that we could qualify but now I hope that we do not even need it because we have taken it on and done our own Main Street program. But we identified what we had for strengths, what we had for weaknesses and then prioritized them to see what we could look at, what strengths we could build on, what weaknesses we needed to correct. We had the people that were making those decisions gathered at a meeting, probably not a lot unlike this, and they were interested in it, so then we asked them to work on it. And we formed a lot of focused committees, groups that would work on the areas that these particular people were interested in working on, and put together several programs that I would describe briefly for you.

Our main business district, more or less the Main Street program. We put together our own Main Street and are just now this fall completing a renovation where we put in new sidewalks, curbs, and gutters, water mains, street lighting, spending over $600,000 of all local money. We did not enlist any aid. We could not find any grants that we qualified for. Like I say, we did not qualify for the Main Street at the time but through the municipal utilities and the city council we were able to put together enough money to finance most of this. We did assess the property owners a certain amount of the project but we also put in a program where if they will revitalize and rehabilitate their store fronts to the look that they had when they were built—most of the buildings in our main business district were built in the early 1900's, they can get a rebate on their full assessment if they will spend that amount of money on an approved plan. We have a volunteer committee that

helps them with the design and approves it and it is receiving tremendous response. We probably will have well over half of our buildings restored to some degree in order for them to get the rebate money back. After all, they were going to spend it any way. This way, they get the sidewalks and a better looking storefront.

We wanted to promote our community. So a couple of groups got to working on new brochures. A lot of towns have brochures for their communities but we wanted to focus on what we felt was important. And one of the things that we feel important right now is to get people to our town.

Our school system, we have an independent system right there in our own community. We want to maintain it, we do not want to go through the merger situation, with some of the problems that it has. We have a very good school operation, very active school board, and good administrators, very active with computer use in education. So the school put together a brochure made up of all volunteers working on it from the school system mainly.

The community did the same thing. It focuses on getting people to our town. Open enrollment in Iowa is going to help us. We already have had five or six new enrollments for this year through the open enrollment program. We, next week, will be mailing out 5,000 copies of these brochures and some additional literature to residents in the Waterloo/Cedar Falls areas. We would like to have people come and live in Traer that are looking for the environment of a small town. We are trying to make it a good viable small town, worth bringing their kids to go to school. Hopefully, they already have a job. We are only 25 miles from Waterloo. That is why we are keying there.

We also have a housing incentive program. We had a group that put together what we feel is a fairly new idea on how to get people to buy the houses. We are hoping to create the housing shortage that Northwood has now by moving the older—well, any age of house, but we were faced with the decline of agriculture a few years ago with probably having 50 or 60 houses empty in town which is a lot in a town of 1,700. We knew we had to get those off the market so we could get new houses to be built. You asked if we had spec houses. Nobody wants to build a new house when there is all kinds of other houses available so this group sat down and tried to figure out what it would take to get people to buy houses and put together a program that has got off with a bang. They announced it the first of June and it is a package of incentives. Anyone that will buy a house starting the first of June through the end of the year will get $150 return on their taxes for the first 2 years. They have free garbage pickup for 6 months. They get free membership to the golf course, free family swimming pool membership, no deposits and no hookup fees for any utilities; water, sewer, electric, telephone, cable television. All of this is included in the package. All of this is financed locally. Again, we did not use any Federal, State money. We put this program together so that we can make things happen in our town.

We have another committee that is already planning what it is going take to——

Mr. NAGLE. How is that doing, how is that doing?

Mr. HOLST. The housing program. It started the first of June. We have averaged two houses a week sold, which makes it—I think we are at 12, 13 houses sold under it. We have another five or six right now that are just waiting to get the paperwork done. We had a goal of selling at least 25 of those houses. It looks like we will well exceed that goal.

Mr. NAGLE. I do not mean to interrupt you but one of the places where the State is becoming short is in our skilled workforce and the people out there who have the capacity to come in here and make a living and make a decent living. And the kind of innovative program that Traer has launched in terms of home ownership is I think—Kent, I am glad to hear it is doing well because I think it is a model for a lot of communities, I mean to get people there. We are short tool and diemakers. We are short machinists. We are short electricians.

Einer Lunde, you are the first person in here today that mentioned the employee. I mean we talk about business but we have to look at our workforce too, and adapt a new attitude toward them.

Kent, I think that is an outstanding program by Traer.

Mr. HOLST. Thank you. It is so far exceeding our best hopes. If it will continue this way, why we will have to start building houses because we will not have any left to go.

The only other thing that we have been doing, we do have an athletic complex that the school system built. Because of room, they had to go outside of town a few years ago to build it. Kids have to take bicycles to get there. It is about a half mile, three-quarters of a mile out of town. And we are building—we have another group that is now raising the money to put a bike path off the highway so the safety of the kids can be maintained. We will also make it into an exercise path and hope that it becomes another enhancement to our quality of life.

Thank you for the opportunity to testify, to both of you.

[The prepared statement of Mr. Holst appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you.

Now, we have a treat for everyone. We thought that the—one of the things we do not do as adults often enough is to listen to the young people and their perception so we asked the Marshall County 4-H to provide us two of their outstanding members to share their thoughts on this subject with us. And we have first Amanda Harlan, a Marshall County 4-H Member. Amanda, where do you live?

Ms. HARLAN. I live about 5 miles out of Marshalltown.

Mr. NAGLE. You live on a farm?

Ms. HARLAN. Yes.

Mr. NAGLE. And your parents, what do they do?

Ms. HARLAN. My dad works for the Air Force and my mom stays at home.

Mr. NAGLE. We will tell her that. You mean your mom works at home, right?

Ms. HARLAN. Yes.

Mr. NAGLE. She may be here. You had better say yes.

Ms. HARLAN. OK. She works at home.

Mr. NAGLE. She works hard at home, right?

Ms. HARLAN. Yes, she does.
Mr. NAGLE. All right, Amanda, you have your statement ready?
Ms. HARLAN. Yes.

STATEMENT OF AMANDA K. HARLAN, MEMBER, MARSHALL COUNTY 4-H

Ms. HARLAN. Iowa means many different things to the people who live here. When people hear the word they usually think of corn and pigs. Corn has been part of Iowa's history since its early days. Corn has been a major export of Iowa. In 1985, we ranked first in production of corn with 1.6 bushels of—1.6 billion bushels.

Iowa ranks second in the value of agricultural exports with $2,496.1 million in 1985.

When educators hear of Iowa, they think of great education Iowa has for its young people. I went to a seminar once and we had a little joke. Since Iowa has such an outstanding educational program, why not have an Iowa boarding school where we bring kids in from other States, teach them, and then send them back.

Iowa has 88 percent of its 17- and 18-year-olds graduate from high school as compared to the national average of 74.9 percent.

Yes, Iowa does have a problem with its young people leaving because there are not any jobs. It is not that they are not willing people to work, it is just that there are not any jobs out there. As a friend of mine put it, Iowa is a land of opportunity if you put your mind to it.

In 1985, personal income in Iowa was manufacturing, followed by services, wholesale/retail trade, and government, so Iowa has changed in the last years from agriculture to over 1 million employed in nonagricultural jobs. As a friend of mine put it, life in Iowa is exciting as a kid, boring as a teenager and peaceful as an adult. [Laughter.]

This is one problem we have in Marshalltown as teenagers being bored and because of it, we have a high teenage drinking problem. I do not think this is just a problem in Marshalltown but in other cities too. But I do think something needs to be created for the youth to do.

What I think my future in Iowa will be like? I think I will stay in Iowa to go to college. Since I really have not pinpointed what I really want to do when I get older, I cannot really say if I will stay in Iowa when I get older. But I will say this, I will try because I guess I kind of really like Iowa. I think if jobs are created here, the people will be immigrating into Iowa rather than migrating out of Iowa.

Iowa may not have a big amusement park or a lot of "rich people," but it is filled with a lot of people who are rich in spirit and in truth are straight from the heart. I guess you could say it is not a fancy State. It just gets down to the basic needs of the people. Iowa is a place to grow, a land of opportunity, a land of culture, a peaceful and quiet State.

I would like to leave you with another quote from "The Field of Dreams," is this heaven? No, it is Iowa. Thank you for your kindness. This concludes my presentation. I hope you enjoyed it.

Mr. NAGLE. Thank you very much.

Amanda, how old are you?

Ms. HARLAN. Sixteen.

Mr. NAGLE. They get younger and younger.

Mr. NAGLE. OK. We have Scott Kilborn. Scott, where do you live?

Mr. KILBURN. I live about 3 miles out of town on a rural acreage. I do not live on a farm.

Mr. NAGLE. East, north, west, or south of Marshalltown?

Mr. KILBORN. East.

Mr. NAGLE. East of Marshalltown toward Tama County?

Mr. KILBORN. Yes, I go to school in Tama County.

Mr. NAGLE. Do you? Good for you. That puts you about six leagues ahead of the rest of the world. [Laughter.]

How old are you?

Mr. KILBORN. I am 17. I am going to be a senior this fall.

Mr. NAGLE. Where do you go to school?

Mr. KILBORN. I go to school in Garwin.

Mr. NAGLE. OK.

Mr. KILBORN. I originally went to Green Mountain but they merged about 2 years ago and now I go to school in Garwin.

Mr. NAGLE. Your parents do what?

Mr. KILBORN. My dad is an electronics technican at Fisher Controls and my mom works at home.

Mr. NAGLE. Scott, please give us your statement.

STATEMENT OF SCOTT E. KILBORN, MEMBER, MARSHALL COUNTY 4-H

Mr. KILBORN. My name is Scott Kilborn. I would like to tell you about my plans for my future. I am going to be a senior at Green Mountain-Garwin High School this fall. Many of the classes I am taking are helping me to prepare for college. I plan to attend Iowa State University starting in the fall of 1990. My intended major is computer engineering. I am planning on taking about 5 years to get my bachelor's degree. After I have obtained that, I plan to leave the State of Iowa to find a job. I feel that I will have to do this to find a job in the field with the salary that I want. If I could, I would stay in this State because I have a lot of good friends here, but I do not think staying in the State will be possible after I graduate.

I would consider Iowa as a place to retire but I do not plan to return to the State before that time.

I feel the reasons for this is the relatively low number of jobs occurring in college education in the State. I realize Iowa is more than farmers and factory workers but it does not provide enough high level jobs to satisfy the large numbers of good students that Iowa schools are turning out. Many people offer their opinions of how to fix the problem. One of these is raising the minimum wage. I feel this would only hurt the State. I think it will eliminate some of the jobs where the employers are now barely able to pay the current minimum wage. I think we need to turn our objective to luring company headquarters or offices to Iowa. This would provide many jobs that require college education and it would greatly help the State.

I think Iowa is a great State and I really hope it is able to overcome the problem with the youth leaving the State after graduation. And I would like to thank you for allowing me to testify here today.

Mr. NAGLE. Thank you very much.

Mayor Burrows, do you have anything to add to the testimony we have heard?

Mr. BURROWS. No, but I have a good news story. You people catch a lot of flak on the Hill because of the way these CDBG grants do not go sometimes but we have one in Belle Plaine. We went to bat for Pierce Lumber. We got them an $84,000 CDBG grant. We gave them—the city of Belle Plaine gave Pierce Lumber $16,000 as a forgivable loan and I darn near got shot for that, believe me. But this is what has happened in the 2-year period. Their employment went from 20 to 53. They are now exporting lumber to the Pacific rim countries, Japan, Korea, Italy, Denmark, France, England, Ireland, and one heck of a lot to Canada. So I think you people should be commended too.

Thank you.

Mr. NAGLE. Thank you very much, Your Honor. I do not have any questions of the panel since I interrupted all of you but let me yield to the chairman.

Mr. ENGLISH. I have no questions. You have done a fine job and I appreciate your testimony. It is very helpful and it is very nice to have the young people's input on this, we do not get that enough. So thank you both, we appreciate it.

Mr. NAGLE. Hold on just for one announcement. Now, we have formally provided lunch outside. What I would like to suggest we do since we are running about 20 minutes behind is that we reconvene here at 1:10 and we will start promptly at 1:10 and we will try to squeeze a little testimony and get done.

Let me acknowledge as I see him, I believe Matt Elzey is here, Johnson County Board of Supervisors.

Matt, are there any other elected officials here?

[Show of hands.]

Mr. NAGLE. Oh, Lord, forget it.

This meeting is recessed until 1:10.

[Recess taken.]

AFTERNOON SESSION

Mr. NAGLE. We will come back to order. Will our next panel please come forward.

I would also like to request the unanimous consent that we accept written testimony for the record. I know that Deo Koenigs, State representative, has submitted a prepared statement because he was unabl¼e to be here and I accept that or any other written testimony and I would request unanimous consent that we keep the record open for 10 days so anyone who wants to submit additional testimony may feel free to do so and it is so ordered.

We will take our next panel. We have with us Representative Jane Svoboda, State representative from Clutier, Iowa; Jack Bailey, who represents the Iowa Area Development Group, Iowa REC's; Peter Dietrich, IE Industries; Dr. Brady Deaton of the University

of Missouri, and Bob Hartford, the Governor's Office of South Dakota. I think we will start, Dr. Deaton, with you and move down the line. Again, I would ask and urge the panel, since we are now about 15 minutes behind if you could summarize your testimony rather than read it, we would appreciate it and we will try to move with a fair degree of rapidity so we can get our friend here back to Oklahoma before dark.

STATEMENT OF BRADY J. DEATON, PROFESSOR AND CHAIRMAN, DEPARTMENT OF AGRICULTURAL ECONOMICS, UNIVERSITY OF MISSOURI-COLUMBIA

Mr. DEATON. Thank you, Mr. Nagle, Congressman English, I am Brady Deaton, chairman of the agricultural economics department at the University of Missouri and I appreciate the opportunity to meet with the committee today on this important topic of discussing the future of rural development in this country.

Mr. Nagle described the conditions of rural development very succinctly this morning and other panel members have added to our knowledge base about the problems that we face in rural America today. We face increasing uncertainty due to the openness of the international markets, the harmonization of European policies that is going to occur in 1992 that will have severe repercussions that we need to come to terms with in analyzing future conditions of rural America.

I applaud the emphasis that we have heard this morning on the need for strategic planning at the local level by local jurisdictions, regional groups, and State efforts in rural development. This local strategic planning is critical and it must draw on a knowledge base of appropriate research and understanding of the very complex interrelationships rural America faces today. And my purpose in being here today is to report to you recommendations that have come out of a group of faculty members at the University of Missouri. We have been addressing the kind of research support system that we feel will sharpen our focus and enable local jurisdictions and State governments to make more effective rural development decisions.

We feel that the process of strategic planning entails that we envision the kinds of goals that we have for rural America and urban America for that matter, that we identify the factors that will help us achieve these goals and design institutions to create progress toward those goals. To do that, we have argued for a national rural development research and training center to help us address some of these issues.

The purpose of such a center would be to untangle and unravel some of these complex relationships that I have talked about in some detail in my written testimony. We look at such factors, for example, as the educational system in our country and we note very high dropout rates, particularly in the southeast and southwestern parts of the United States, at the same time that we have very low standardized achievement scores. Yet, we have had in the 1980's relatively rapid economic growth in those areas of the country but also great centralization out of rural areas into urban centers. So we cannot solve the problems of creating our next genera-

tion of trained young people by simply addressing issues of economic growth. It is more complex than that.

Here in the Midwest where we have not had as much rapid economic growth, we have very high quality educational systems, relatively lower school dropout rates. We feel that research that would address these complex issues and bring the information to bear on critical decisions that are faced by rural communities will enable us to more effectively address some of these complex issues because, at the margin of decisionmaking, local jurisdictions have to decide between how much to invest in an industrial park, in promotional efforts, in planning efforts, or in education.

We feel that it is vital that we use the best systematic knowledge we have in our research community today to help local jurisdictions make those kinds of sharp decisions. I appreciated the emphasis that was given earlier that we have to be concerned about Federal support and local initiative because it is at the local level that those hard kinds of decisions are going to be made.

The center that I am talking about, I will take just a moment to emphasize the basic components of this because I think this is important for the deliberation here today. We feel that a national rural development research and training center would provide unbiased knowledge to rural development leaders at the national, State, and local levels.

The analytical mode that we are proposing for this center would be modeled after the design of the Food and Agricultural Policy Institute or FAPRI which Iowa State University and the University of Missouri have so admirably nurtured over the past.

This FAPRI-type approach would help ensure that timely research is carried out systematically on an ongoing basis, responsive to the needs of rural development leaders at all levels.

The proposed national center would develop a systematic data base and analytical approach that would provide a foundation for targeted rural development initiatives. The center would draw on the best research minds that we have in our universities, the human resources which are ultimately the most limiting factor in promoting the quality of rural or urban life.

We would have a leadership training component of this center to provide this research-based knowledge of relationships in rural America that help shape such critical factors as health care, education, employment creation, infrastructure, and environmental quality.

In my written testimony, I have provided seven specific examples of these kinds of relationships between such important factors as income distribution and economic growth between our ability to stimulate economic growth and use that resource base to support continuing educational efforts, and strengthening our primary and secondary educational system. I will not elaborate on any of those in great detail but simply point out that refined research is needed to take the sparse nonsystematic research that we have had in the past and pull it together into a decisionmaking framework that will do what our mayor here in Marshalltown called attention to this morning, provide a research base for those local initiatives so they can be carried out more effectively.

We in the land—in the universities and the community colleges stand as partners in this process. We feel that we have a great untapped reservoir of potential strength for addressing a number of these issues and I am pleased to have had the chance to share this idea with you today.

Thank you.

[The prepared statement of Mr. Deaton appears at the conclusion of the hearing.]

Mr. ENGLISH. Mr. Chairman.

Mr. NAGLE. Yes, go ahead, Glenn.

Mr. ENGLISH. I meant to mention earlier, Dr. Deaton, of course, being from the University of Missouri, is here at the request of a good friend and colleague, the ranking minority member of the subcommittee Tom Coleman. Dr. Deaton, I just want to tell you how much we appreciate you coming up from Missouri to testify. We appreciate your testimony very much.

Mr. DEATON. I am pleased to do that. I was pleased to see Iowa.

Mr. NAGLE. Yes, indeed. We are glad to have you here. If you want to stay, we will write Missouri for you and tell them you took a job at Iowa State.

Mr. DEATON. I will give that consideration.

Mr. ENGLISH. I will have to take that up with Mr. Coleman.

Mr. NAGLE. He is not here. He could have been here.

Mr. DEATON. We have had a long partnership as many of you know with Iowa State University and it has been a good working relationship.

Mr. NAGLE. Mr. Hartford, who is with the Governor's Office in South Dakota. Thank you for coming from South Dakota. You can stay too.

Mr. HARTFORD. I might get in trouble back home, but thank you.

STATEMENT OF BOB HARTFORD, DEPUTY COMMISSIONER, SOUTH DAKOTA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT, ON BEHALF OF ROLAND DOLLY

Mr. HARTFORD. I would just for the record like to point out that the written testimony that was submitted here today is under the name of Roland Dolly. Rollie was going to come today to give the oral testimony and at the last minute could not, so I am giving the oral.

Mr. Chairman, again thank you for providing a forum for the State of South Dakota to testify before your subcommittee. Your attention to rural development issues is appreciated by our Governor, George Mickelson.

Rural economic development has been the flagship of the Mickelson administration. He is very proud to be the incoming chairman of the agricultural and rural development committee of the National Governors' Association.

Rural economic development means a sound agricultural economy but also an economy that is diversified to avoid wide fluctations in the State's economy when disaster strikes our agricultural community.

In South Dakota, we have an unemployment rate of approximately 3.5 percent and our economy continues to grow at a good

pace even in the face of 2 years of drought. This type of growth has not happened by accident. It is occurring because we have paid attention to our economy and done our best to address its needs.

The message from Washington for years now has been to take on more responsibility at the State level for everything from economic development to health care. We feel the states have responded admirably but not without facing and accomplishing many difficult tasks.

Since George Mickelson has been Governor of South Dakota, we have learned of many innovative programs that have been spawned by a necessity during this time of federal budget retrenchment which by the way is understandably necessary. Just in the State of South Dakota alone over the past 2 years our legislature and the Governor have taken on some tough measures to be creative in steering our State into a second century of statehood. For the past 2½ years, we have created the following:

The ready fund, a State administered $40 million revolving loan program for economic development; the future fund which has made $4.8 million available annually to enhance the research capabilities on our State funded university campuses.

Our CRP enhancement program, this provides the farmer with an up-front cash payment equivalent on a present value basis to the 10-year value of his CRP contract. Our first bond issue was worth $10 million and we are now preparing a second issue for approximately the same size.

Mr. NAGLE. How does that work?

Mr. HARTFORD. The CRP enhancement?

Mr. NAGLE. Yes.

Mr. HARTFORD. It is actually the power of the state bonding has backed up the Federal program so the farmer because of the bonding capabilities of the State can get his entire payment up front and the State backs that.

Mr. NAGLE. What is the advantage of that?

Mr. HARTFORD. The farmer gets his entire 10-year allotment up front, he can—if he is paying high interest rates on land, machinery, and so forth, he can pay off those debts and get regrouped onto payments that he can afford to live with.

Mr. NAGLE. Thank you.

Mr. ENGLISH. Let me ask you what happens if the farmer then pulls out of the program a couple of years later?

Mr. HARTFORD. He has signed that over, the payments over for the 10-years.

Mr. ENGLISH. So in effect——

Mr. HARTFORD. You mean if he sells his land?

Mr. ENGLISH. No, if he does not sell his land, he just goes in and says, OK, I have received my money from the State now, I have my 10 years, I have gone 2 years, I have decided now I am going to pull out of the program, I will break up my land, I will start farming.

Mr. HARTFORD. He has to sign contracts to the contrary.

Mr. ENGLISH. OK. What is the State then going to do, take him to court for the money?

Mr. NAGLE. If the gentleman will yield, I am sure the contract provides for injunctive relief, does it not?

Mr. HARTFORD. I would imagine so.

Mr. NAGLE. I am just curious, but it would seem to me the problem you get into, of course, the U.S. Government has a contract with this fellow.

Mr. HARTFORD. This has been cleared through Congress.

Mr. ENGLISH. He has a contract and what happens in case he pulls out of the program? He has to pay the money back, whatever money he has received, he has to pay that back because he has broken the contract. But in this particular case if the State was giving him the money, I am just curious whether the State takes action against him as well as the Federal Government or what?

Mr. HARTFORD. I cannot answer that Congressman. I will be happy to make sure you get a copy.

Mr. ENGLISH. Yes. I appreciate that. That is interesting. I am sorry to interrupt your testimony.

Mr. NAGLE. See that I get one too, would you please?

Mr. HARTFORD. Yes, I certainly will.

Mr. NAGLE. Thank you. Please proceed, I am sorry.

Mr. HARTFORD. The livestock loan program, this program is designed to provide capital to livestock producers, especially those hurt by the drought.

We have created a division of rural community development within our office of economic development to make a one stop shopping point for small communities. This division is prepared to help the communities with anything from rural health care to economic development projects to water and sewer problems. One telephone call is all that must be made to connect local public officials with all of the State resources.

The office of rural health. This office was created to pay special attention to health care delivery services in the most rural areas of our State, especially in the area of recruitment of doctors.

Mr. Chairman, I have mentioned all these items to make a point. If the Congress senses that some Governors are a little frustrated by the rural development legislation that has passed the Senate, it is because we have all worked so hard to put these types of tools in place only to have them apparently ignored. The bill in the Senate completely bypasses State governments and again creates another Federal organization for State and local governments to get acquainted with. A whole new Federal infrastructure would have to be put in place to accommodate this new program with only $300 million authorized.

We would urge Congress to block these funds out to the States so that we can put them to work to meet the most critical needs of our States. We are back home every day living with the challenges of our States. We really do understand what the priorities are. If Congress does not trust us to spend the money properly, then just use the $300 million to increase our community development block grant funding. South Dakota has been administering this program since 1982 and has successfully passed nearly $50 million on to towns across the state to meet the small community needs. Our message is the infrastructure to deliver economic assistance to rural areas already exists in the States and it has been proven that the States have the ability to competently and fairly distribute funds to rural needs.

Mr. Chairman, in talking with your staff, we know you are open to suggestions and Governor Mickelson applauds you for going through this process. It is important for you to know how we feel about rural development out here and your willingness to listen is appreciated.

Thank you very much.

[The prepared statement presented by Mr. Hartford appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you.

Mr. ENGLISH. If I could——

Mr. NAGLE. Go right ahead.

Mr. ENGLISH. Mr. Hartford, I guess I get a little bit troubled on the block grant statements. The State government has the same authority as the U.S. Government with regard to taxation. They can tax their citizens. The Federal Government taxes citizens. I am troubled a little bit about the idea of whether the Federal Government ought to tax people and then turn the money over to the States to spend. It seems to me that if the States found this to be a good program, a good idea, a good concept, then they would certainly justify that to their constituents, to the people of the State and the people would support it. So I guess I feel a little uneasy. I start getting the feeling, I say, well, maybe the people of the State do not support it, they cannot justify it to the State. Therefore, they come to the Federal Government and say, "Uncle Sam, through all your taxing authority, you go out there and raise the money, and give it to me because I cannot get my people to approve this."

Why should the Federal Government turn the money over to the State? Why does not the State raise their own money?

Mr. HARTFORD. OK. The community development block grant money is taxpayers' dollars. It is coming back.

Mr. ENGLISH. The Federal Government raises it, not the State.

Mr. HARTFORD. True.

Mr. ENGLISH. Why does not the State go raise that money?

Mr. HARTFORD. Our State has raised $40 million and that is earmarked for another area. To raise funds in a sparsely populated State like South Dakota--South Dakota has a total of only 700,000 residents in the entire State—the amount of money that you can raise on that kind of a base is fairly limited and as we all know, the infrastructure problems have been recognized for years to be bigger than what small communities of sparsely populated States can handle on their own. I give you the EPA program, the block grant program and so forth, that has been put in place to help.

It is really refreshing to me when I see local governments agreeing with messages from States. We heard Governor Branstad this morning talk about the block grant program and how that would be a successful conduit. In the last panel, there were three mayors here and two of the three specifically mentioned the block grant program, the community development block grant program and how well that worked for them. The third one talked about the infrastructure needs that they were meeting.

Mr. ENGLISH. If I could stop you. Well, everybody liked the revenue sharing program too. The big supporters of the revenue sharing program, I do not think I found a single governor that came to

me and said, well, we ought to do away with the revenue sharing program. I have not found any mayors that came to me saying that. But basically what we came down to, the original concept behind revenue sharing was that this was supposed to be money from the surpluses of the U.S. Government. The U.S. Government has not had any surpluses but the program continued to roll on, you know, and we have that—from the very beginning, that was the original language in it and that is what we came up to.

I guess what I am coming down to is the U.S. Government right now is facing a little budget problem. We have a heck of a deficit and I would dare say that even in proportion to the population of the country or anything else that there are not many States that are going to match the U.S. Government's deficit in proportion to their population. And so I guess I get a little bit troubled when folks come and say, well, the Government—the Federal Government ought to come up with more money on a grant program. It is one thing for the Federal Government to, you know, come out with their own programs, their own criteria, their own efforts as to what they feel as far as the national strategy is concerned, but again, it seems to me that grants kind of get us back over in the other end, you know, that State governments, kind of what they are after is wanting us to fund their program for them, and I start having some problems with it.

I have problems with revenue sharing. I have to tell you right now I was not that enthusiastic about that program.

Mr. HARTFORD. Many portions of the community development block grant Program are put out as loans, one-third of our program. We get $6 million a year currently, $2 million of that is put out for economic development loans. The way that works is that the community gets the grant. They turn around—by prior agreement, they turn around and they put that out to a manufacturer. If he is creating the right kind and amount of jobs, they can put that through to him in the form of a loan. That payment is paid back to that community and it starts a minirevolving loan account in that community. That has been a very successful portion of the program. So by using State or Federal dollars, also we have matching requirements on those. We do not—we have a mandatory matching requirement which HUD did not when they ran the small city portion and they then have a war chest of their own to go on and to continue to enhance their community.

Mr. ENGLISH. But the States could do that on their own. There is nothing to prevent the States from carrying out that kind of a program.

Mr. HARTFORD. No.

Mr. ENGLISH. The States could go out and borrow the money, could they not, sell bonds, whatever they wanted to do to raise money for that kind of program, right?

Mr. HARTFORD. Right. And in our case, we put on a 1-cent sales tax for the entire State.

Mr. ENGLISH. I did not mean to make such a big point out of it. It troubles me a little bit. I would like to see the States come in and say we are ready to step up here and play a role in this, this is what the States are willing to put on the line, this is what the States are willing to do. It troubles me whenever you come in and

say, if the Federal Government will just give us the money, we will go do something.

Mr. HARTFORD. I think what our message was that the conduit is already there for assistance to rural communities. It is a proven effective way to get the money out to them and there is never enough money in that program.

Mr. ENGLISH. If you could do this for us, if you could send it to us in writing, lay out what the States are willing to do with money that States come up with, I think that would certainly be helpful and I would appreciate it very much. Thank you.

Mr. NAGLE. Our chairman is trying to be innovative in his approach in this legislation. I think he is to be congratulated on it. I think we both probably share criticism of the Senate bill and it is just the same old thing except we are putting $300 million more into it, but to the contrary, we tried the Articles of Confederation in this country where every State was on their own and we did not find that a very successful system of government. I think, matter of fact, it only lasted a few years and then we tried the concept called the United States of America where we were all in the boat together and it is a matter of the Federal Government taking the resources and sending them out to the States to meet targeted needs. If CDBG by itself were the answer, we would not have a rural health care problem, we would not have a telecommunications problem in some areas, we would not have massive education problems, and others. We would not have a poverty rate that exceeds what is going on in urban areas. So I think we want to be—we want to be flexible to meet the needs of the regions and we want to be creative in terms of streamlining the process so you do not have to go through seven layers of bureaucracy to get the funds out to you.

We also, if we are going to marshal the collective resources of the country, want to put it in the specific identified needs for each region and I think that is probably where the middle ground between your position and the chairman is. We do not want to do it with a bunch of forms. I think I mentioned this morning, the farmer standing in front of the silo talking to his neighbor and he has three silos there and he says to the neighbor, the first two are for grain and the third silo which is the biggest one is for the Federal forms. We do not want to create that situation.

Mr. Bailey, get us out of this mess, will you. Jack Bailey, Iowa Area Development Group.

STATEMENT OF JACK C. BAILEY, EXECUTIVE DIRECTOR, IOWA AREA DEVELOPMENT GROUP, ON BEHALF OF IOWA ELECTRIC COOPERATIVES

Mr. BAILEY. I appreciate the opportunity to come before you not only with the Iowa Area Development Group which represents the rural electric cooperatives in this State but also as chair of the rural development committee of the American Economic Development Council.

And also as an officer of the National Professional Rural Utilities Developers Association.

Since our inception for the State of Iowa—in the State of Iowa, in cooperation with the State, the counties and communities we serve, and other utilities—electric, water, gas, telephone—investor-owned and member-owned, we have facilitated the start up and expansion and/or relocation of 156 projects in manufacturing, processing, and service business.

In 3½ years, these projects have generated in excess of 5,500 jobs and new investments of $360 million.

This occurred as a result of community education and training, research and analysis, marketing, and commitment of our member cooperatives to invest in rural development and we believe those five components are the key to any successful rural development program.

I would just like to comment on each briefly.

Community education and training. We utilized a program developed by the University of Arizona. This program which is now being utilized in many States to assist rural communities to analyze their resources and develop economic development strategies should be replicated throughout rural America by extension services in cooperation with the rural electric, water, and telephone utilities.

To educate those persons doing rural development, the professional rural utilities developers group in cooperation with the University of Oklahoma—which has been the primary economic development education institution in our Nation for years—will launch a rural development institute in January of 1990.

This new professional education program will contribute greatly to rural development expertise. The committee, we feel, should consider assisting the start up of this program with a grant to the University of Oklahoma Department of Continuing Education.

Research and analysis. The Iowa Electric Cooperatives retained the Battelle Research Institute to develop the first rural targeted industry analysis for a State. This study is being utilized by rural communities to develop their respective strategic planning. Battelle is willing to cooperate with all rural communities in the United States.

Marketing. The Battelle study has been supplemented by a marketing analysis, paid for by the electric cooperatives, through integrated market research. This in-depth research and long range marketing strategy for rural Iowa has been put in place and is obtaining results, remarkable results.

Commitment. Your legislative action over the past 24 months to increase the abilities of the cooperative utilities to invest 15 percent of their assets in rural development as well as the new cushion of credit loan program is having a positive impact on rural development.

I have attached a number of case studies to this statement which demonstrate how we are packaging development projects in rural areas throughout Iowa.

You will note that the participation as you review those case studies in each of them the State has been most instrumental in rural development.

Up to now, the major Federal rural development program has been the Department of Housing and Urban Development's Community Development Block Grant Program.

In view of the previous conversation, Mr. Chairman, I would just like to state one of the problems with that, is that only 33 percent of the Block Grant Program does go to the States. The other 66 percent goes directly to the cities of America.

Mr. NAGLE. Let me pick up on that. You would change that ratio or you would eliminate the grants to the cities?

Mr. BAILEY. No, but I think in reference to the dialogue that was just held here previously, I just wanted to make a point that 66 percent of CDBG is not going to the States, it is going directly to the cities.

The second key Federal program that has been facilitating rural development has been the small issue industrial revenue bonds. We were pleased that the Ways and Means Committee last week has agreed to extend the program through December 1991 and encourage positive action by Congress to their recommendations.

That committee has also voted to extend the targeted jobs tax credit. It is our conviction job tax credits is a tool which you should pursue to enhance investment and job creation in rural areas. This tax credit should be designed in order that a company can carry it forward up to 10 years.

There has also been some float around the Capitol of an administration rural enterprise zone program. Those of us in rural development cannot perceive that the establishment of 50 to 100 such zones could achieve any equity in rural Iowa or rural America.

We believe that the element of tax credits found in enterprise zone legislation would enhance investment and job creation in rural America and that your committee consider the utilization of such a tool to stimulate rural community and economic development in our Nation's nonmetro counties.

Finally, our research indicates as you already heard this morning, we have a developing to a severe need in housing and we have started a pilot project of rural housing in Stanton, Iowa in cooperation with the National Cooperative Development Bank and intend to expand this program in Iowa through the rural electric utilities.

Personally, I believe it is time for a change in the Federal Government rural delivery system. It is time to consolidate the infrastructure assistance programs; water, electric, telephone, housing, and waste under one umbrella in the Federal scheme of things—call it the rural utility administration—or whatever you prefer but let us get on with the task and a delivery system which minimizes the barriers to access for rural people—the inequities in formulas, applications and treatments. Develop programs and regulations which are not prescriptive—but performance-based, not process—but product/results oriented.

Mr. NAGLE. Tell me about—I am stuck on housing today but tell me about the rural electric cooperative that initiated a pilot rural housing program in Stanton, Iowa and in cooperation with the National Cooperative Development Bank intend to expand this program in Iowa. Tell me about the pilot rural housing project in Stanton, Iowa very briefly.

Mr. BAILEY. The pilot rural housing project was initiated by the Nyman Electric Cooperative with the support of the other cooperatives in this State.

Mr. NAGLE. How does it work?

Mr. BAILEY. They are building speculative housing, the question you asked this morning.

Mr. NAGLE. How are they doing it, the co-op is financing it?

Mr. BAILEY. Financing, building, constructing, selling.

Mr. NAGLE. Well, it seems to me we are coming to a squeeze.

Mr. BAILEY. They have three done and two have been sold.

Mr. NAGLE. It seems to me we are coming to a squeeze for the rural electrics. I am kind of concerned about them because the fewer customers you have the higher the rate has to be on everybody else and so your costs go up as your population would go down. I think that is innovative. You say it is going to be expanded in Iowa. What are the plans? What is the direction? What is the intention of that?

Mr. BAILEY. October 12 and 13 which your staff was notified earlier, there is a conference on rural housing and financing of such in the State of Iowa, which the Iowa Area Development Group is sponsoring. At that time, we will unfold that program and how it could operate and the financing tools available through the National Cooperative Bank, which is already doing housing projects in a number of urban areas including New York City.

Mr. NAGLE. Jack, I want to stay on this just for 1 second if I might, not to the diminishment of time of anybody else, but it seems to me we have a lot—I drive around, I get lost a lot. I am always taking short cuts that never go where they are supposed to go. But I keep driving by all these homesteads on farms with houses setting there. Some of them do not look in that bad of shape. Some of them need some work. That is a housing supply if we could get the financing, get the people in it. Is your agency exploring that opportunity or are they abandoning it?

Mr. BAILEY. Congressman, we have explored it but we have come up with dead ends in reference to financing the rehabilitation of existing rural housing. I believe the opportunity is there.

Mr. NAGLE. You mean FmHA and FHA just do not——

Mr. BAILEY. You got it.

[The prepared statement of Mr. Bailey appears at the conclusion of the hearing.]

Mr. NAGLE. That is the story I am hearing today and it is very valuable, very valuable.

Let me welcome our next guest who is a personal friend of mine as well as a political compatriot, Representative Jane Svoboda, who was first elected to the State legislature from Clutier, Iowa. I wish Glenn were in here, we would give him a test as to where Clutier is. If he does not know, we could tell him it is just north of Vining. But you have been an outstanding member of the State legislature. It is an honor to have you in front of our subcommittee, Representative Svoboda. Please proceed with the summation of your testimony.

STATEMENT OF E. JANE SVOBODA, STATE REPRESENTATIVE, DISTRICT 75, TAMA COUNTY, IA

Ms. SVOBODA. Thank you, Congressman. I really am thankful that you are here and I appreciate the opportunity to talk to you and Congressman English about an area that I feel has not been touched upon today at all and has probably been the most direct cause of why we are here and the need for the term "rural economic development."

Some of the facts that have been pointed out this morning I wanted to just cover them briefly. Sixty-three million people live in rural America, rural unemployment rate is 31-percent higher than in the cities, rural per capita income is 25-percent lower. Rural poverty is one-third higher. Rural school dropouts rates across the country are higher than the cities. Twelve pecent of the physicians and 18 percent of the nurses practice in rural areas. Physicians availability in counties with fewer than 10,000 population is one-third the U.S. average. We have 163 physicians for every 100,000 people on average in the United States. Over 300,000 people in Iowa do not have health insurance. Rural Americans are paying 33 percent more in excise taxes than their urban counterparts.

Those facts we are well aware of. I think one of the things that has happened that caused it was the farm crisis. I am going to address that today.

Federal policies have eroded the tax base, leaving State legislatures serambling to maintain revenues in order to finance infrastructure and continue services.

The reduced income has caused an exodus of people from rural areas that results in loss of population, tax bases, tax revenues. The State is struggling to maintain the infrastructure and the services that we have.

Diversification that is the other buzz word in economic development has been directed toward agriculture and is also a catch-22. Mayor Brown alluded to diversification and value added products in agriculture this morning. I was pleased to hear that.

Last year we were able to sell oats on the market for $3 a bushel. This year it is approximately $1.50 a bushel. What incentive does the farmer have to rotate? What incentive is there to maintain the topsoil, use less chemicals, to be a good steward of the land?

Agriculture in this country has been manipulated, downgraded, and underpriced in an effort to produce cheap food and give the consumer a false sense of security.

I think that we need to ask Congress to at this point in time to establish the concept that has worked well in agriculture and that is parity. It worked well from 1942 to 1952. It paid farmers for the production of their raw material. It provided new wealth in the economy and it is a direct action that Congress can take. They are charged to do that by law.

The Nation's economy is facing one of the most severe financial crises in its history. This is due in part to the failure of the Department of Agriculture in recent years to use the farm program that served us well for five decades. It enabled the farmer to secure his income from the consumer of his products rather than having to depend on Government checks to stay in business. It is due in large

measure to the Agriculture Department to sell U.S. farm commodities in world markets at competitive prices.

The national debt of $932 million in 1981 has tripled to over $2.8 trillion today. It is now larger than the debt of any Nation in history. For the first time since 1914, the United States has become a debtor Nation. The last 8 years, in addition to reduced exports, foreign goods have been let into this country almost without limit. The authority of the President to limit, tax, or stop such imports upon findings of the Federal Trade Commission that they are damaging U.S. businesses has not been used to stem the flow. The Nation's steel, auto, textile, and shoe industries, to name a few, have been decimated by foreign imports.

American agriculture has been severely damaged by the failure of the Department of Agriculture to use the authority of the Commodity Credit Corporation and section 32 of the Agricultural Adjustment Act to offer American farm products in world markets at competitive prices. Farmers are going broke. In Oklahoma, figures show that over 100 farmers have commited suicide in the last 2 years and in Iowa about 47 farmers have killed themselves each year. These figures are similar for other States according to the survey.

The failure of American agriculture to remain competitive in world markets, use of embargoes to enforce international relations, and the curtailing of U.S. production have been costly to the agricultural economy.

Under the Payment-in-Kind Program, 1983 cost the country $12 billion. Domestic production was cut 11 percent, U.S. exports were cut by 11 percent. Overseas competitors increased our productions and exports by an equivalent amount.

To continue the use of farm programs of previous years which enabled the farmer to recover his cost of production plus a small profit from the user of his product rather than from the Federal Treasury is a sound economical practice. The policies of the last 8 years have wrecked the economy of rural America.

Mr. NAGLE. Let me stop you and let me ask you something I see in your testimony that you did not cover that I am curious about.

Ms. SVOBODA. No; I know. I did not cover—I would like to submit this.

Mr. NAGLE. I appreciate your summary. I also need your full testimony.

You say failure of the Government to enforce antitrust laws has caused severe problems for both Iowa's agricultural economy and Iowa's workers. You say the most recent case in point is Montfort's Swift hog kill operations here in Marshalltown. I am not going to really comment on Montfort today but it does seem to me—I looked in the paper and I am surprised some of the panel has not addressed this. We put—in Iowa, we put $2 million into IBP, Iowa Beef Processing to develop jobs that have had a very negative impact on the employment compensation of people who work in the meat packing industry. I looked up the salary here a couple of weeks ago and the president of IBP made $2 million—made $3.7 million in salary and the State gave the company $2 million to help them out. I am kind of curious when we talk about creating a climate—I will throw something to the panel, when we talk about

creating a climate for jobs and helping people get jobs started. Is there a downside to that, that we create the wrong kind of jobs, that we get into a position where actually we are bringing our wage rate down in rural America?

I noticed our compensation levels. You cited the statistic. We make 75 percent of what they do if you live in town and that is just not cost of living. From a Federal standpoint of trying to create job opportunities, blank checks, the CDBG's, the checks, the CDBG's say spend as you will—should the Congress of the United States be concerned about the kind of job economic opportunities we are creating in rural America?

Mr. Hartford, you are nodding your head. Why do not you start out?

Mr. HARTFORD. I think we should be very concerned about it and I believe what I have seen from the States in this area, they are concerned. Our ready fund, that is one of the main criteria that the board of economic development asks before a loan is approved, what type of job is this, what is the quality of it, and how much does it pay? On the other hand, there are communities in every State in the Nation I am sure that would take a job, any job, because the American way is that a job is better than no job. So there is a fine line that people are forced to walk and we hope and put our efforts in better paying, better jobs, but there are those cases——

Mr. NAGLE. Do you have guidelines in South Dakota in terms of income that the average hourly rate the job has to pay before they get, for example, help from the CDBG grant to put a plant into effect.

Mr. HARTFORD. No. We have—in our CDBG program, we have the guideline of the jobs created per dollar put out but we do not have—we do not have anything in any of our programs that say how much they have to pay.

Mr. NAGLE. Representative Svoboda, do you know whether or not the Iowa Legislature, in light of some of our experiences in this State, are they looking into this area at all in terms of grants versus jobs versus quality of jobs?

Ms. SVOBODA. We tried to establish a mechanism that would only give some of the lottery money, the low-economic development money to companies that met certain criteria which meant fairly decent wages, fairly good working conditions, some of those kinds of things rather than maybe a minimum wage job. That was just very difficult to just regulate and mandate some of that, only this, this and this, but we did try to do that.

Mr. NAGLE. Jack, you were in that area. Is there any new thinking on it—Mr. Bailey—I am sorry.

Mr. BAILEY. The State of Iowa now has a policy that every application for any State or Federal participation must offer initial wage jobs at 75 percent of the average of that county. The hourly wages in Iowa per county average ranges from $3.65 in Taylor County to $11 in Muscatine County.

Mr. NAGLE. Dr. Deaton, any research from the University of Missouri on that?

Mr. DEATON. There is a fair amount of research at Missouri and nationally that addresses this issue of the economic impacts on the

local community of various types of industrial or service sector development and the important thing from my perspective is that communities know what to expect accurately in terms of payroll, in terms of what that means for their tax base locally, what it will do for migration in and out of the community and, therefore, the demand for housing and public services. We have developed a series of economic and social impact models that can guide community decisionmaking in this area. And that is an area that I emphasized in my written comments that we need to really fine tune. Because strategic planning at the local level requires that kind of knowledge base or else we are not going to be able to achieve that kind of quality environment both for jobs and for water quality and other areas that different types of industry create.

Mr. NAGLE. I would appreciate—you certainly do not have to—but I would appreciate it if you would forward to my office some of those studies. It is just an area that I have seen a concern with that we may be creating the wrong kind of jobs that we actually bring down the local economy rather than give it a boost. It is hard for somebody on $3.35 an hour to buy a home or to buy a car that someone is selling, or getting insurance policies and clearly health insurance is out and then they are back on Medicaid and the State has to pick up 75 percent of that cost.

Mr. DEATON. I will be happy to send to both of your offices a compilation of the studies that will look at that issue and the types of jobs. And also we have found that the stability of income earnings and the expectations that the community has about different types of jobs can have a big impact on the quality of life in the rural communities.

Mr. NAGLE. Well, it seems to me, underlining this, and I will get off of it, it seems to me underlining the idea that we have water, and we have health care, and we have telecommunications, all of that is designed in part to ensure that we have a place where people will want to work and the employers will want to be. But underlining—but even further, the next concept of that is what kind of employment or what kind of rates, and does it help a community, or does it drag a community down. I appreciate that.

Representative Svoboda, could you summarize the last portion of your testimony?

Mr. Dietrich, I am sorry, please respond.

Mr. DIETRICH. I wanted to make a comment regarding your—IBP comment. It seems to me the State of Iowa, one of the real strengths, is the meat industry, whether it be IBP or who it is. You need to play to the strengths that you have and also that applies to rural communities so whether you create a job at $5 an hour or $10 an hour, it is the ability to have that job stay and carry on for a long period of time we really should think about. Certainly a company like IBP in the State of Iowa has the ability to stay I would think, and be successful in the meat industry. It would not make sense, for instance, to put an IBP in downtown Washington. There is no hogs there. But it does make sense to have meat industry in this State.

Mr. NAGLE. None that are willing to go to slaughter at any rate. [Laughter.]

Would you summarize please?

Ms. SVOBODA. Thank you, Congressman.

Mr. NAGLE. I do not know. They got a few candidates over there. They may want to send—go ahead.

Ms. SVOBODA. It is interesting that IBP has been drawn into this because the failure of the Government to enforce antitrust provision in the Packers and Stockyards Act has allowed a few major players to gain control of those markets. And it a concern that Iowa has addressed within the last 2 years—excuse me—last several years and I would hope that we would be able to have some support in that from congressional areas because we do have a big concern that beef industry has seen their packers dwindle down to four, their competition is quite limited and the hog producers are afraid that the same thing is going to happen.

The other comment that I think is vitally important to make and I do think that agriculture is a very strong part of the economic recovery in this State, I do feel like sometimes we in the legislature, especially in Iowa do not feel that agriculture has played a predominant role and because of farm crisis we did sometimes earn the reputation for not being the quality business that Iowa had had and, in fact, we are very much a quality business. USDA has pointed out that raising loan rates to 80 percent of parity and implementing mandatory production controls would yield impressive results.

I am also concerned that the Congress has not—has neglected to act on the Board of Trade and the Commodity Futures Trading Commission, the Ferruzzi incident has now brought some of the traders to some interesting ends and we are looking at corn today at $2.01 on the board and beans at $5.77, so I would just ask the Congress do keep in mind that agriculture has been a strong force in this State and that we are vital to the economic recovery of this State, and that to overlook those forces in this debate in these hearings across the country would probably not be to the best interest of the country.

I thank you for listening to this testimony today.

[The prepared statement of Ms. Svoboda appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you. Let us move right along.

Mr. Dietrich. Mr. Dietrich is vice president of corporate development for IE Industries. We are delighted to have you here today.

STATEMENT OF PETER W. DIETRICH, VICE PRESIDENT, CORPORATE DEVELOPMENT, IE INDUSTRIES, ON BEHALF OF INTERSTATE POWER CO., IOWA ELECTRIC LIGHT & POWER CO., IOWA-ILLINOIS GAS & ELECTRIC CO., IOWA POWER, IPS ELECTRIC, MIDWEST GAS, IOWA SOUTHERN UTILITIES CO., PEOPLE'S NATURAL GAS CO., AND UNION ELECTRIC CO.

Mr. DIETRICH. Thank you for allowing me to participate. I do represent the investor-owned electric and gas utilities in the State of Iowa, of which there are eight, and we do very much appreciate the opportunity to be able to participate today and to give you our views.

We applaud and support the Government for wanting to appropriate additional funds for improving rural America.

The eight investor-owned utilities in the State of Iowa serve over 90 percent of the communities having a population of under 20,000. In fact, the investor-owned utilities serve only 18 communities with populations over 20,000. Clearly, we are very interested in rural economic development.

We are equally as interested and active in the rural communities we serve as are the REC's with my colleague here at the table and so all of the Iowa investor-owned utilities are very involved in economic development efforts to bring new businesses to our cities and also to encourage businesses to expand. We do this for our small towns as well as our large cities. Economic development services are available to all our communities.

We share the subcommittee's commitment to rural development and we strongly urge you to include this Nation's investor-owned utilities in any legislation aimed at enhancing rural America.

In the written testimony that we have submitted, I cite several examples of the kinds of things that investor-owned utilities have done. I will not read them now. I am sure you——

Mr. NAGLE. I think it is significant if I could interrupt you.

Mr. DIETRICH. Sure.

Mr. NAGLE. In your paragraph in 1986, the investor-owned utilities of Iowa committed in excess of $2,500,000 toward attracting matching funds from local communities to encourage economic development. I think that is a significant commitment and one that ought to be shared verbally with us. Please proceed.

Mr. DIETRICH. Well, all of us have several specific examples, as I am sure you are aware, that we could recite but in the interest of time, I will let you read those others that we have. We feel that these efforts must continue to help revitalize rural America and rural economies here in Iowa.

The investor-owned utilities can provide a myriad of development services to the communities: Coordinating development efforts by working with Federal, State, and local officials; technical and financial planning assistance for start-up businesses, preparing local community communications, such as videotapes and brochures to help attract businesses; site location; building information; and grant preparation.

We care about all the communities we serve. Obviously, the investor-owned utilities benefit from customer growth and a strong Iowa economy, both urban and rural. But the interest in our communities is greater than purely a financial one. We have employees working and living in these communities who serve in the local chamber of commerce and industrial development board, and whose children go to the smaller rural schools and whose families use the small rural hospitals. We want to continue to grow and prosper by improving the economic well-being of all of these communities and the employees that work there.

Mr. NAGLE. Have you done any work with—specifically going back to Dave Smith's testimony this morning—and you know, I think we lost 189 rural hospitals in a very recent short period of time and we are projected to lose 600 rural hospitals in the next 5 years. Is your company doing anything with working specifically with rural hospitals and some of their problems?

Mr. DIETRICH. Not directly to my knowledge but I may not be totally informed.

Mr. NAGLE. It is an area that I would encourage both you and REC's to explore. Those people do need some help but it is hard at the Federal level because of the budgetary constraints that Mr. English has mentioned, to come with enough dollars to equalize completely the Medicare reimbursement rate.

Mr. DIETRICH. I know our people do a lot of volunteer work within our company.

Mr. NAGLE. I would ask you and the REC's to explore that option if you would be kind enough to do so.

Mr. DIETRICH. Thank you, we will.

We think that the opportunities that exist today in rural America are not limited to locations served by one specific type of utility. Communities, whether they receive their electricity through a rural electric cooperative, a municipally owned utility, or an investor-owned utility, all face similar problems. The receipt of Federal assistance should not be tied to the provider of electricity or any other type of service. All communities must have equal access to the funds that may be provided.

Any legislation which has as its goal the improvement of the economic community and educational well-being of rural America cannot afford to overlook an industry or organization willing to share that commitment. All communities in Iowa must have equal access to those funds, grants, or loan programs made available through that legislative action.

We believe in a public and private partnership. There should be no inherent bias in any legislation that passes Congress in favor of one special interest group. Successful rural development efforts will be found where there is strong cooperation among customers, the State, counties, regional, or local councils and the business community.

We feel we have a proven track record in Iowa. The investor-owned utilities favor using the established working relationship with the Iowa Department of Economic Development as the foundation for any additional programs that the Federal Government may pass. We would endorse what Governor Branstad said this morning that if, in fact, additional funds are appropriated for rural economic development, that they be channeled through the existing system that is now in place to administer it and to allocate it to the various communities.

If it is deemed that the economic—if the Commission or the Congress decides that is not the way to go, I guess our recommendation would be to use the financial institutions because of their expertise and their knowledge in handling loans and administering funds.

In summary, we realize the House of Representatives and particularly your subcommittee will begin drafting legislation of its own to enhance rural development. We hope you make significant improvements in the recently passed S. 1036, the Rural Partnerships Act of 1989. We hope our testimony here today will give you some insights into the importance of a continued role for the investor-owned utilities in the rural development and in the job you have in front of you.

We thank you for your opportunity.

[The prepared statement of Mr. Dietrich appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you very much.

Let me yield to my chairman to see if he has any questions.

Mr. ENGLISH. Yes, I do. Mr. Dietrich, you have in here guidelines for fund allocation. We have some communities in this country and some States in this country that are doing very well financially and would not have any difficulty meeting such guidelines. We have other States that are in a state of depression which would prohibit them from taking advantage of any Federal funds that would be available: Would it not? Would it not simply be a case of the rich get richer and the poor get poorer?

Mr. DIETRICH. Are you referring to the matching aspect of the guidelines?

Mr. ENGLISH. Right.

Mr. DIETRICH. Well, perhaps, but if you do not have that local involvement and if that community cannot or is not willing to make a commitment that was talked about earlier today to try to do something locally, we feel that the program may not work.

Mr. ENGLISH. Well, the problem is though if we are simply going to make the rich richer, I am not sure I want to be a part of that kind of program.

Mr. NAGLE. And I am not sure you can go out to some of the towns in this State and say you have to come up with—under your guidelines 20 percent. You use the example, come up with $100,000. I am not sure some of those communities could, they might have a great idea and they might have a great project and it might be good, but if they have to make the match and they cannot get the resources for the match, or the State does not have in its coffers $150,000 that you suggest on a $500,000 grant, it sounds to me like you had better be a rich State to play in the game the way you have it described here.

Mr. DIETRICH. Well, our experience has been that most communities if they really put their mind to it, with the help of the utility, and sometimes the banks and others, that they are able to raise a fairly substantial amount of money.

Mr. ENGLISH. I guess the point that I would make though, Mr. Dietrich, is if you take my home State of Oklahoma, 10 years ago we would have taken every dime you could put up. We had a lot of oil revenue, we had a lot of money coming in, things were booming, everything was going great. Our State cut taxes like there was no tomorrow. That was not a very bright thing to do, under the circumstances, because right now we have a shortfall and they have been raising them all to try to get the revenue back. But at the time, we had huge amounts of money coming in.

Now, you take the difference between then and today, we have education getting cut, we have programs across the board that are getting cut. They are scrambling like everything to meet the State's balanced budget requirements. They would have a very difficult time in trying to match any Federal funds that might be coming their way but there has never been a time they have been more desperately needed. And I guess that is where I have the trouble because what is going to happen—we have had this happen in other programs, if you have a State like Oklahoma or Mississip-

pi that we were just in that frankly do not have the financial wherewithal, or Iowa—I do not know what the situation was in Iowa last year but I would imagine, given the dependence on agriculture, times have not been that easy for the State of Iowa either as far as State government is concerned.

The thing that we get into then is we find ourselves in a position that if the State cannot take advantage of it, then we have the State's maybe on the east coast and west coast where they have quite a bit of revenue, they have been doing fairly well and they are not only going to gobble up their share but then they will take any other money that is left over in addition to that, so we end up kind of on the short stick.

Mr. Hartford, your State has all the money in the world. They do not have any money problems with any shortfalls of money, do they?

Mr. HARTFORD. Your observation——

Mr. NAGLE. I heard you were so wealthy you were buying North Dakota.

Mr. HARTFORD. We heard that they are trying to change their name. Your analogy there are some States that are wealthy and some are not is extremely correct. And that is why I think—where our philosophy comes from is why States can see our own problems, our own needs, and identify them, and I would propose that perhaps in this area, you talked about the grants and then you talked about the community cannot afford the 20-percent participation. Probably both are right. Some places should be grants, some places should be loans. If a State—if this pool of funds was available, and States were required to present on an individual basis their plan for distributing these funds, would that not be an equitable way to handle this whole problem?

Mr. ENGLISH. Let me run something at you, see how this grabs you, Mr. Hartford, see how this fits in. I think at least from what I have seen in just the three regions that we have been in, we have vastly different situations in different areas, and quite frankly, I think the formula thing is too rigid. I think you have got to have some flexibility worked into the system. There are certain areas—this morning we were talking about whether it be roads, education, whatever it may be that the States are traditionally carrying out that are critical as far as any rural development. It seems to me that there ought to be a way that we can join this together so that there are certain areas in which the States would put up—and I suppose that is a matching sort, if you would, Mr. Dietrich—but there are certain responsibilities that they would be expected to carry out and commitments that they would make as far as participating in this program.

The same token as far as local government is concerned I think we have said leadership, and as we talked about this morning, strategic planning are important. I think that is a great idea to have some kind of commitment, involvement by the local people. They have to think this thing over. They have to work it out among themselves as to what, and they have to go through that process. It is not going to be an easy process, but that is evidence, if you would, putting it on the table, that they care enough to do this, to make that kind of commitment.

But I think you also then get into the question of what is the local banker willing to do. How much does he believe in that community? Is he willing to put in something? I do not know that we can get it as rigid here, Mr. Dietrich, as you say percentage, percentage, percentage. I think we are going to have to put the flexibility in there. There are certain areas in which each one is expected to bring something to the table to make this whole thing work. If they do not have the commitment, if the State is not willing to make the commitment, if this is done and one of these communities says, by golly, we will assure that we are going to have the roads there for a small industry to go in there, and we are going to have the education program, we are going to make sure that we meet the needs of that community. That is the combination now, Mr. Dietrich.

Mr. DIETRICH. I think I would just like to add that I agree with you. I think our point is participation.

Mr. ENGLISH. I agree with that.

Mr. DIETRICH. Whether it is 20 percent or 10 locally, I guess is not all that critical. It is the fact that you have to have all parties involved or it will not work.

Mr. ENGLISH. Well, Mr. Hartford is going to be the first one to say amen whenever I say that whenever you start writing that stuff into these programs, you are going to have some folks over there in the Department that are not going to give an inch. If you got there 29.9 percent and it says 30 in that law, they are not going to go with you, are they, Mr. Hartford? You can just forget it.

Mr. HARTFORD. We would try not to write one like that.

Mr. ENGLISH. I think that is the thing that we have to make sure that everybody is bringing something to the table, as Mr. Dietrich said. By the same token we have to make sure we have flexibility in there to work with the different kinds of situations we are going to find all across this country, probably from community to community in each State.

Mr. Bailey, I wanted to ask you a question if I could with regard to the REC's here in Iowa. A couple of years ago we changed the law to allow the REC's to become more involved in making investments with regard to rural development. How many cooperatives do you have in the State of Iowa?

Mr. BAILEY. Thirty-seven.

Mr. ENGLISH. Thirty-seven. How many of those cooperatives have taken advantage of that opportunity and are participating?

Mr. BAILEY. Less than half as of now.

Mr. ENGLISH. Less than half. How many of them have undertaken more than one project?

Mr. BAILEY. Well, between the cooperatives in the last 3½ years, we have done 156 projects. There has been a higher concentration in some of the areas over others, but we have a number of cooperatives, some represented in this room are already up to their 50 percent—15 percent. I mentioned that in my testimony and provided you with some case studies, if you would like to study that further.

Mr. ENGLISH. Yes, I will. The thing I am wondering about, is that, and I was curious from Iowa if you are having the same situation as down in Oklahoma. In fact, I had one in my own hometown, we had a local—had an industry that was moving in and our par-

ticular town is extremely depressed—but one of the things we ran into—we ran into a couple or three things I think. First of all, we ran into the fact that a lot of directors on the board, they just really were not that familiar. They were not familiar with the small industries coming in, they were not really familiar with this kind of financing, this was something new, something different and they were pretty reluctant to go in there and make a heavy commitment of the co-op's resources under those circumstances. I was wondering if there is anything underway either in the REC's nationally or here in the State of Iowa to acquaint the directors with a procedure, processes that they should follow that will make them a little more comfortable, and a little more familiar, and a little more eager to deal with that kind of situation?

Mr. BAILEY. That initiative got under way last Monday and Tuesday when we had 560 of those types of people from all over the United States and a sizable delegation from your State, Mr. Chairman, in Washington for a 2-day conference on rural development.

Mr. ENGLISH. Well, I think that is going to be necessary in order for that kind of effort. The other part of it and it gets down to the question, some areas we have REC's, some areas we do not, some communities are covered, some are investor-owned utilities, some are municipal. If you have a community, say it has municipally owned power, but you have REC all the way around it, will the REC make that kind of investment in that local community even though they are receiving their power from a municipal-owned utility.

Mr. BAILEY. We serve—the REC's in this State—a sizable number of municipals, with power contracts. We do that with those communities.

Mr. ENGLISH. OK, but one that you were not serving, would you?

Mr. BAILEY. Well, I can think of one that we have done.

Mr. ENGLISH. You have done that even though you are not serving them with power or anything else. So there is nothing, there is no—either here in the State of Iowa or nationally as far as you know—there is nothing to discourage REC's from doing that?

Mr. BAILEY. I think you put your finger on the real discouragement and that is that orientation and education of the board of directors.

Mr. ENGLISH. Well, I think that is correct. I know the one example in my hometown. I know all the directors personally and I kind of know what they are thinking and this would have taken a considerable amount of money, a lot of money it was going to take to put this effort under way and I know there was a real reluctance because quite frankly they were not familiar with it. They had never done it before. They had never even done one, and here they were having to come up with a big one so I am happy to hear that we are getting that kind of orientation taking place. I would like to see that aspect of the program taken advantage of.

Thank you, Mr. Chairman.

Mr. NAGLE. Thank you. By the way, how much do you get in CDBG in South Dakota? Did you say $6 million?

Mr. HARTFORD. Yes, sir.

Mr. NAGLE. The total program that the Senate passed is $300 million. I have a feeling from what I am hearing today that that is

not going to be enough to really by itself get the job done if we start spreading it around to 25 states.

Mr. ENGLISH. Keep in mind, Chairman Whitten had taken $150 million. It has already gone to rural water, so we have $150 million left.

Mr. NAGLE. We have $150 million left. We will find some more. Thank you very much, a very good panel.

Mr. ENGLISH. Thank you very much. You did a good job.

Mr. NAGLE. Our last panel. We saved the best till last. As the panel is coming up, let me introduce them and we will try to move along quickly. We have Tom Smith, who is the Iowa Bankers Association representative; we have Jim Mullins from the Farm Credit Services; we have O.J. Tomson, who is with the Independent Bankers Association and is the president of the National Independent Bankers Association Organization. We have my good friend and colleague, former majority leader of the house of representatives in the State legislature, now at the University of Northern Iowa, Lowell Norland. We have Steve Ovel, Kirkwood Community College, who works directly with communities; and Roger McMahon, the Iowa Leadership Institute. Gentleman, as you come to order—and we have Arnie Schultz from Grundy City, Iowa, just a small-town banker. I figured you would be out making loans today.

Mr. SCHULTZ. I would like to be. [Laughter.]

Mr. NAGLE. I am glad to have you, Arnie.

Let me start by asking you first because it is 2:25 p.m. to please feel free to summarize. We can read. I know the perception is otherwise. Please summarize your testimony and let us just start with Tom Smith, Iowa Bankers Association.

STATEMENT OF TOM R. SMITH, PRESIDENT-ELECT, IOWA BANKERS ASSOCIATION

Mr. SMITH. Thank you, Congressman Nagle. I would like to echo Mayor Brown's comments this morning from our city to compliment you on your attentiveness to our concerns not only here in Marshall County but this district.

Mr. NAGLE. Thank you.

Mr. SMITH. Chairman English, welcome to Marshalltown. My wife is a "Sooner" and she told me that the "Sooner" population of Marshall County today is probably at an all time high. We hope you find yourself welcome here in Marshalltown.

Mr. ENGLISH. Give her my best.

Mr. SMITH. I will. I have submitted written testimony earlier so I would just like to summarize that testimony.

Iowa banks in the early 1980's spent that time trying to survive. We wrote down approximately $2 billion in debts, $2 billion was about 50 percent of our capital. As we recover, we see economic development of our State as an opportunity for all of us in our communities.

The IBA last—earlier this year developed what is known as the Community Resource Assistance Initiative. This is a manual which we provided to all our banker members. A copy was delivered to you, Congressman Nagle and your office. It outlines 86 Federal and State programs for financial assistance, 38 programs for technical

assistance. We had a series of 10 members across the State to apprise our banker membership, approximately 93 percent of the banks in the State of this book, using the consultants who helped us develop it. It will be updated on a semiannual basis and we will continue to have meetings to update our membership and their local community development committee members on their resource. And I would like to leave this copy, Chairman English, for your files. We are very proud of this effort.

Just recently as a follow up from the Iowa Legislature's passing of a venture capital program, the State offered matching lottery funds for this venture capital fund and in that process we again held a series of meetings across the State, explaining the program, winding up with 201 of our member banks putting up $4.4 million, three insurance companies, one utility, and one savings and loan adding additional funds for a total of $6.7 million from the private sector to which the State added $3.3 million for a total fund of $10 million that will be administered as a venture capital fund in our State for new and rapidly growing businesses.

Historically, we have had an Iowa Business Development Credit Corp. It has been in existence for 19 years, 159 Iowa banks participate in that fund. It is a pooling effort for high-risk loans. To date, they have made over $37 million in loans, over 200 loans for that amount. Last year, they made 10 loans for $3 million. It offers a program for Iowa banks to lay off high risk loans into this pool which was set up by the Iowa Legislature.

On another note, during the farm crisis our organization set about having a meeting every month with the social concerns groups across the State, the church groups, the human services group, the rural organizations, the farm organizations, seeking to explore new ways to solve our mutual problems here in Iowa. We, as bankers, in this State serve in our communities on town councils, on school boards, as hospital board members, or boy scout leaders, church trustees, little league managers. We even serve on local economic development committees and we continue to share concerns that we have about the future and economic development in Iowa.

Those concerns which I would like to share with you today are concerns about cleanwater, sewer facilities, and the financing that is necessary to bring these critical needs in our communities up to the current environmental standards and continuing more stringent environmental standards. We are concerned about our inability or our lack of ability to issue industrial development revenue bonds. Because of the changing tax structures of a few years ago, this historically has in our small communities has been a very viable way for our banks to assist in the funding of new and expanding industries.

We are concerned about the availability of funds and the incentives available to support research and development, the incubators and the small business centers around the State that serve a very vital need in our efforts to help new businesses grow.

We are concerned about the SBA loan limits. The SBA lending authority gives a rural—small rural bank the ability to expand their lending capabilities and lay off risks and those loan limits

currently are at a level that restricts some loans that we think would serve, can be well served in that effort.

We are concerned about the availability of lower cost housing from our workers as has been earlier addressed here. We are seeing a changing wage structure in our State and the ability to finance low-cost housing, renovations, and remodeling as well as building in our rural communities. Primarily, however, we see the need for renovation and remodeling capabilities in a way that we can lay off some of the risk or make incentives available to individuals that can do that.

We are concerned about the continued availability of community planning. Most of the regents Institutions in this State have community planning, strategic planning capabilities and where they have been used in communities, they have served a very, very useful purpose.

We are concerned continually about banking regulations that restrict or inhibit risk sharing and loan pooling on the part of membership, our Iowa banks. We think this should be reviewed and updated in line with national priorities.

We are finally concerned about education excellence. Our association this year is shortly announcing a participation in a funding for some pilot programs in rural communities as a result of the fine study which was done earlier in this state in an effort to increase the capabilities of smaller rural schools to access teaching methods and facilities through a variety of needs.

I appreciate the opportunity of being here today. Thank you.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

Mr. NAGLE. Were you here this morning for the Traer Utilities representative's testimony, Mr. Kent Holst of Traer, were you here?

Mr. SMITH. Yes, sir.

Mr. NAGLE. You were aware of that? Did that have any appeal to you in the banking industry at all in terms of the way getting some of this housing moving that currently exists?

Mr. SMITH. I would say that I think Traer is one up in the area and that certainly does have appeal.

Mr. NAGLE. I would think that in the area, Marshalltown, the surrounding area, Gladbrook, Dysart, Melbourne, State Center, that may be a program that you might want to look at.

Mr. SMITH. Even in Marshalltown.

Mr. NAGLE. Even in Marshalltown. Thank you very much. Thank you for your testimony.

Mr. Mullins from the Farm Credit System, FCS.

STATEMENT OF JIM A. MULLINS, CHAIRMAN, BOARD OF DIRECTORS, FARM CREDIT BANK OF OMAHA

Mr. MULLINS. Thank you very much, Congressman Nagle and Congressman English, welcome to Iowa on behalf of the farmers of Iowa.

It is a pleasure to be here today to testify before you on rural development. Obviously, it is a topic that is popular, it is the inthing. It is very important. I can speak from that not only as a

member of the Farm Credit Bank of Omaha but as a farmer and one who lives in rural Iowa. The little town of Corwith that I come from where I run a grain and livestock operation—about 425 people, the town is, so we are really rural.

I had an opportunity to see the Sunday Tulsa World Herald. They had a very nice article on rural development and Congressman Nagle you may be happy to know they quoted two or three people from Iowa in that article.

Mr. NAGLE. Believe me it is more important to me right now if they quoted Mr. English in that article.

Mr. ENGLISH. Well, that is what I was wondering about.

Mr. MULLINS. They quoted both of you.

Mr. ENGLISH. Do not worry about Mr. Nagle. I want to know if they quoted me.

Mr. MULLINS. They did quote you also.

Mr. NAGLE. We are all right.

Mr. MULLINS. They pointed out how important your subcommittee was.

Mr. ENGLISH. I just wish they had not circulated it in my district. I would be all right.

Mr. NAGLE. I am thinking of running in Tulsa next time.

Mr. MULLINS. Well, anyhow I think that shows the importance of rural development and what does rural development mean. It means a lot of things to a lot of people.

Those of us who really live out in rural—rural Iowa find that it affects production agriculture. It affects the quality of life that we have. We in the Farm Credit System feel that there are some opportunities because of our background as an institution and because of some of the resources that we have, that we can be a positive player in that particular role.

We feel, however, there are some things that we need to have looked at in the way of limited expanded authority so that we can be a more significant player in that role of rural development.

We do have a very identifiable presence that I would like to mention. For example, in Iowa alone we have loans of over $1.65 billion. We have over 26,000 borrowers. This is just in the State of Iowa. We have 190 employees scattered around the State at 33 different locations so we feel that part of Farm Credit who is the full-time professional staff as well as the borrowers represent a very significant cross section of people in rural America and what their needs are and we have a finger on that pulse being able to talk to those people. We have been in rural America for over 70 years as an institution, the Farm Credit System.

We are concerned about where it is headed. We think we could do more. We think perhaps there is more that we could do today that we have not done. Obviously, those acquainted with Farm Credit know that in the past couple of years we had one or two other things on our mind that we were trying to accomplish.

Mr. NAGLE. What are you proposing to do?

Mr. MULLINS. What we are asking for because of the delivery system and structure that we have, the existing staff, the funding mechanism that we have, we are not asking for additional taxes, we are not asking for anything that will have a budget impact. Perhaps we could look at some expanded authorities in the way of

marketing and processing loans. In other words, there is a limitation today in Farm Credit that says you can make these loans but that individual has to produce 20 percent of that product himself. Perhaps that can be expanded.

You can start out with an individual. It works fine. He successfully grows and all of a sudden, he is outside of our lending authority.

Mr. NAGLE. I want to ask. Do you mean loans stay in the town as well as——

Mr. MULLINS. Yes, this may be an individual on the farm. It may be an individual in a rural town.

Mr. NAGLE. I should know the answer but I do not. Are you currently restricted to agricultural loans and agricultural land purchases?

Mr. MULLINS. Not strictly. We have the authorities to make marketing or processing loans if that individual produces 20 percent.

Mr. NAGLE. You can make any kind of a loan today?

Mr. MULLINS. Not any kind. They have to be farm related, agricultural related.

Mr. NAGLE. All right. Are you asking to go beyond agricultural related?

Mr. MULLINS. No. This is what I said, to expand that 20 percent limitation to a higher percent than that. So that myself, say I have a little packing plant along with my feed lot, Congressman, and if I get to the point that it is successful enough or a locker plant or whatever, that I am not producing at least 20 percent of that, we would like to be able to continue to make that loan.

Mr. NAGLE. Other than lower the loan standards, is there any proposals that you have today?

Mr. MULLINS. I did not ask for lowering loan standards.

Just changing the limitations.

Mr. NAGLE. Changing the limitations.

Mr. MULLINS. The other thing, rural home loans. We are limited today to making rural home loans at towns of 2,500 or less. We would like to see that expanded, probably similar to FmHA-type loans. I believe they can go to towns, populations of 10,000, somewhat similar to that perhaps.

Mr. NAGLE. Can you—do you have the capacity—I want to make sure I understand what you are asking. Do you have the capacity, on your rural home loans, do you have the right under the new Farmer Mac regs to pool those?

Mr. MULLINS. Yes, Farmer Mac can make rural loans and then pool those, and we could be a player in that. Our limitations, however, is in towns of 2,500 or less. We would like to see it expanded to 10, about that anyhow. That is the figure we have come up with because that is where FmHA is. I really feel that Farmer Mac, and we in this district plan on being a part of that, I think there is a real role that Farmer Mac can play in that area, in rural home loans.

That is the second point. The other was the farm related to expand that so that it can include goods as well as services.

The rest of it, I believe, is in the testimony there but those are the main points that we wanted expanded. I have summarized it that way.

With that, if there are not any questions, I will let it move on to someone else.

Mr. ENGLISH. I am going to have some but why do not we go ahead and get the testimony in and then we will kind of see where we are at.

Mr. MULLINS. Thank you very much.

[The prepared statement of Mr. Mullins appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you. We appreciate it.

Mr. NAGLE. Next is O. Jay Tomson, who is not only head of a financial institution in Charles City, Iowa, Mr. Chariman, he also has the honor of representing Iowa as president of the Independent Bankers Association nationwide.

Mr. Tomson, it is a pleasure to have you here.

STATEMENT OF O. JAY TOMSON, PRESIDENT, INDEPENDENT BANKERS ASSOCIATION OF AMERICA

Mr. TOMSON. Thank you, Mr. Chairman, Congressman English.

I would like to depart from my written testimony. I think the problems have been pretty well defined today in transportation, the medical problems, education, government units, ground water protection, and so forth. I would like to focus on a couple of suggestions perhaps to help make better use of our private sector financial resources for economic development and social betterment.

One of the community bankers—we get criticized for having low deposit—loan to deposit ratios and we have heard that from time to time in Iowa. I happen to be in a bank that is presently, I think, less than 45 percent loaned up. I would like to see it much higher than that. For many years it was, but frankly we have a hard time finding those loans which really qualify for bank credit and I think we have been through enough problems in the last decade that we are going a little easy at this point in time.

Housing is an area that I would like to focus on because I think that is so basic to everyone and I was very interested in Kent Holst's talk this morning, the gentleman from Traer, because I think there is a lesson in there for all of us and it made me feel a little slow-witted when I think of what it is they are doing over there.

But we talked about the aspects of rural life versus urban life, the quality of life, the good schools and so on. We have heard that from previous testimony. The point I would make there is a tremendous amount of housing that is available in our rural areas and there is a tremendous amount of credit that is available, it is extensive. In Charles City we probably—a town of 9,000—we probably have 130 or 140 houses on the market right now because one of our major industries, Salsbury Laboratories, has chosen to move its executive offices to Minneapolis. They are a company that employees 450 to 500 people but when you pull 60 families out and a payroll of $2.5 to $3 million, these are the people, the Ph.D.s, the pathologists, the DVM, the masters degrees in business and so on that hurts because it relegates us more—it makes a different type of community out of us. We cannot afford to lose that aspect of our

community life. But it leaves a terrible cavity there as well in terms of homes.

And I wonder what kind of incentives we could put together that would be useful and that brings me around to the thought of credit enhancements. We have an SBA out there that I think does an exemplary job and we have used them extensively. In our bank we have commercial real estate loans. We have loans to hydraulics firm, I think a chemical applicators, a farm equipment manufacturers, tool and die work. We have repatriated work from Japan in the last year by putting a proper tool and die equipment in Charles City, some of it is high tech. We have retailing, we have fast food outlets. Not all of these are quality jobs as we know, but nevertheless, I think they are very important.

The Farmers Home Administration has done a good job in helping us and without them, I think we would have fewer people on the farms today or we would have more displaced people. But we have I think some significant amount of term credit out there that is working and functioning because of the credit enhancement that was put in place.

We have Farmer Mac coming into play. We see a few problems with it but our challenge is to make it work because the opportunity there is to get lower cost long-term fixed rate credit out to the farming community.

But when you look at Iowa, we have approximately 100,000 farming units in this State, yet we have 2.8 million people. And housing is an important aspect of this for all of these people and when I think of the enhancements that we have in place for commercial purposes and for ag purposes, is it conceivable that we could do something in that area for housing.

With that, I would like to turn it over to Arnie because I know he has some thoughts on it.

[The prepared statement of Mr. Tomson and Mr. Schultz appears at the conclusion of the hearing.]

STATEMENT OF ARNOLD C. SCHULTZ, CHAIRMAN AND PRESIDENT, GRUNDY NATIONAL BANK OF GRUNDY CENTER, IA

Mr. SCHULTZ. Thank you very much. My comments are going to be somewhat brief and they are not in our prepared statement.

They are actually the result of a discussion that Jay and I had coming to the meeting today. We were expressing some of our frustrations about leaving the bank. As Congressman Nagle said, I would probably rather be home making loans. We expressed some of the frustrations about bringing problems and not solutions. And as CEO's in small banks, many times we admonish our subordinates—do not bring me anymore problems without bringing me solutions. So we were talking on the way down today and we have been in the back of the room talking about some possibilities that maybe there are some opportunities available at the present time to address some of the needs, particularly as it relates to rural housing.

We have heard about rural housing all day long. Some communities have excess houses, others like in Northwood this morning, there is a shortage of housing, and so forth. And perhaps an oppor-

tunity for us to resolve their problem if there were proper incentives offered. Let me just as background mention, as Jay said, most communities banks have the money to lend today. We do not have the quality loans. Most of them returned to profitability after the ag recession. Quite frankly, we are looking at tax exempt securities now to replace low-loan demand.

In our own case, I am going to have a half million next year municipal bonds mature. I will probably be adding another half million to my portfolio and if I could channel that $1 million into Grundy Center housing loans, you see, on a tax-exempt basis, I think it would put a substantial dent in the housing problem that we have.

So I ask: Is it possible to initiate a program where banks, community banks, could make tax-exempt loans for rural housing? We are going to be looking for those tax-exempt investments anywhere. We are going to have them. We are not going to have that much loss of revenue as it relates to the U.S. Treasury. Add a credit enhancement to that program so as to make that a bank of a loan asset. You see, probably with the more or less restrictions that we have talked about today, that exist today, with some of the FmHA programs, I think such a program might be a powerful incentive both to the lender and the borrower.

We have also heard about the low incomes that some of our rural people have and a lower-interest rate on a tax-free basis certainly could provide an incentive to them. I would not suggest that this be a long-range program but I am suggesting this might be an opportunity when the community banks have ample funds to lend, this is something that might be addressed.

Before I turn the mike back to my friend, O. Jay, I might just comment very briefly as it relates to credit enhancements. We recognize and we heard the opening statements this morning that you are working with very limited dollars. We recognize that. In my honest opinion, you are probably going to get more bang for the buck through loan enhancements and loan guarantee programs versus some of the direct programs.

Is it possible to stretch some of these dollars further by changing the scoring system that is associated with the present guarantee programs? It is my understanding that if Farmers Home Administration guarantees their loan at the 70-percent level in my bank, that the whole 100 percent is counted against the dollar limitations established by Congress. I am not sure if that is the case but that is what I have been told.

Mr. NAGLE. Say that again.

Mr. SCHULTZ. It has to do with credit scoring as it relates to some of the guarantee and enhancement programs. It is my understanding that if in my bank we had a 70-percent loan—70-percent guarantee on a loan, that 100 percent of the loan counts against the guarantee limitations set by Congress. All I am suggesting is, is it possible you can stretch those fewer dollars further by changing the scoring rules.

As I said, we tried to come with some ideas rather than just all the problems and I will turn it back to O. Jay.

Mr. ENGLISH. Mr. Chairman, if I might ask a question at this point.

Mr. NAGLE. Please proceed.

Mr. ENGLISH. We have basically three representatives of banking institutions, Farm Credit, Iowa Bankers, and Independent Bankers. The question we come down to, of course, is and I keep hearing this across country, particularly from our banking friends, we have plenty of money to loan. You know if we have plenty of money to loan, then the question comes out: How come I did not get my loan? And it is my understanding, and correct me if I am wrong, it is my understanding that a major part of the difficulty comes down to the fact of the bank examiners. Bank examiners are just not real keen these days about going into the areas that are just coming out of what was, in effect, was an agricultural depression—in my part of the country, agricultural depression and energy depression, it is really a question of whether we have even come out of it yet—and make loans in rural communities. There is not a great deal of enthusiasm for that. Is that correct, is it the bank examiners that have given you the problems on that or not, or is it just going——

Mr. TOMSON. I would not be too accusing toward the bank regulators. I believe prudent judgment has dictated a slow down in credit practices. I believe that once you have been through a situation where you have seen some portion of your capital dissipated—in Iowa, we had 30-some banks fail—that you are going to become more conservative as a result of that. I examined banks for 8 years myself and I remember many of the old timers who lived through the 1930's and buying a municipal bond back in the 1950's was a pretty liberal thing to do. By the time the 1960's and 1970's had rolled around, we saw a lot of banks that were 60, 70, and 80 percent loaned up.

Now, I think bank examiners tend to make you procyclical in your thinking. In other words, they will tend to—if you are going through a cycle, they will make it more pronounced because you are going to have them looking over your shoulder. But in Iowa, I believe there is still a significant portion of the assets of the banks that are considered classified in a substandard posture, maybe a 30, 40 percent, so it is high. Back in the 1950's and in the 1960's when I was examining, if a bank had more than 20 percent of its capital classified, it was on a special list. If it had over 40 percent, it was on a hit list. You were in there every 90 days. Now, if you find a bank with 40 percent classified to capital, it is probably a category one bank.

Mr. ENGLISH. I assume that Mr. Smith, you and Mr. Tomson, are not real thrilled about Mr. Mullins' idea about the Farm Credit System coming in and getting involved in rural development loaning lending business, is that correct?

Mr. SMITH. I am sure that our industry would strategically take a position against the expansion of Farm Credit powers.

Mr. ENGLISH. I kind of thought maybe they might. Let me ask you this, would you object though——

Mr. NAGLE. That surprises me.

Mr. ENGLISH. That surprises you. [Laughter.]

What would be the reaction of each of you with regard to the concept if we established a secondary market for rural development loans much as we did with regard to farm loans on Farmer

Mac? Would that receive a positive response from the banking industries as well as the Farm Credit System? Would, in fact, they aggressively use that type of approach to deal with making somewhat—I guess what the banking industry considers to be somewhat risky loans in rural areas today?

Mr. SMITH. My feeling is, and of course at this time I can only speak for myself, is we would be very supportive of that effort. It gives rural banks an ability to lay off some risk. We do not have the capability in Marshalltown, Iowa or in Traer, Iowa of making loans in Florida or Illinois. We cannot diversify our risk but these pooling concepts, and I mentioned that in one of our concerns, that anything that will enhance our abilities to pool loans. If we can buy out of the pool in effect as well as sell into the pool, we can diversify our risk in that way. So I think that we would be supportive of that effort.

I would like to, Congressman, if I might respond also to this lack of loans in banks. I think there are a number of areas. Maybe first and foremost is that we have come out as an industry, we are emerging pretty good from taking a pretty serious bath so we are kind of toeing our way into the pool before we dive off the high board again so we may be—we may be pursuing that effort a little slowly but we are getting more aggressive.

We are also seeing because of government payments, and so forth, many of our farm customers, surviving farm customers are getting payments earlier. They are actually enhancing our deposits and not borrowing money. We happen to have a farming operation, we have not drawn down our credit line in our family farm for 2 years because the Government payments kept coming in such a way that we did not have to go to the bank to borrow money.

Mr. NAGLE. Please do not tell that. I am trying to convince our urban colleagues that we are broke out here and need more money.

Mr. ENGLISH. At least in Oklahoma, we need more money. We talk about Oklahoma and we need it in Oklahoma.

Mr. SMITH. Third, many of our borrowers have exited our communities. Whether they were tradesmen, or farmers, or small businessmen, they have gone South. We have not been able to follow them because our franchise exists in our community.

And finally the threshold of loan approval, because of experience, the threshold of loan approval is higher because of things that are available to borrowers to not pay, the threshold of approval is higher. I agree with O. Jay, I do not believe that the examiners are inhibiting our loan officers and most banks that I know, Jay, are out beating on doors and advertising now for loans and I think we will see those ratios improve as time endures.

Mr. ENGLISH. Mr. Mullins, do you like the idea of a secondary market for rural development?

Mr. MULLINS. Sure, I think it is fine. I think the secondary market in all aspects, at least that is what we feel in the Omaha district. Obviously, as you well know, there may be other districts in Farm Credit feel somewhat differently than that.

Mr. ENGLISH. Would the Farm Credit System of the Omaha district progressively use it if we provided that authority to establish a secondary market for rural development?

Mr. MULLINS. Yeah, only knowing the concept of it. We certainly would from the concept standpoint. Obviously, as you get further into it, it depends on where you go. There is a limitation for farm credit today. It does not affect Omaha at all. We have—to be very candid, have not been a player in rural housing. Some districts have and there is a limitation to 15 percent of their portfolio in that particular area, in rural housing loans. Obviously, in Omaha, we have not been a player. We had a long ways to go before we got to that but some districts do have a problem with it.

Mr. ENGLISH. Mr. Tomson.

Mr. TOMSON. I think if you come back to the basic question of ratios and the availability of money, what we are pointing out here is that ratios do not answer questions, they raise questions. And the question is if there is money there, why is it we cannot get it out or what can we do to get it out better. I am a firm believer in using the resources of the private sector because I believe they are the least expensive to use and they result in the least amount of bureaucratic buildup and so forth. I think the manner in which the SBA and the FHA guaranteed loans function is testimony to that, and I think Government can help us most in those areas where we cannot help ourselves effectively. And that is why I think Farmer Mac, I am hopeful that it will be a very effective program because it gives us a tool to work with, to make us more effective. And I believe a similar program in residential housing could have some real merit. But the acid test there is who is the benefactor of it and here I say the financial intermediaries that are out there, whether they are banks, S and L's, credit unions, Farm Credit, or whatever, are only the conduits for this. The benefact—the beneficiary, I mean, not benefactor, the beneficiary has to be the citizen, the person out there who is going to get that credit at a lower cost and enjoy the benefit of that housing for some period of time and hopefully society in general will benefit from it because it will have a positive effect upon our rural infrastructure.

Mr. ENGLISH. Well, in this particular case, we would not just limit it to rural housing, you go to small industry, cottage industry, financing, the whole operation since those loans are guaranteed.

Mr. TOMSON. I understand.

Mr. ENGLISH. You think your particular organization would be responsive—would be positive in responding to that kind of approach?

Mr. TOMSON. Very much so. I would say any opportunity that we would have to be a more useful tool. We are part of the public trust. A community banker has to realize first and foremost that if he wants his institution to amount to anything, he had better get with it, because he will never be any more vibrant than the community in which he is relegated to use his charter so you have to do these things.

I would like to say one more thing if I may. We touched on ground water, pollution problems, and that is a problem in rural America today. In Iowa, we have laws which are going to make it prohibitively expensive to continue to use the sanitary landfills in this State. And the problem we have in rural America is when you start looking for alternatives, such as being used on the seaboards and in the cities, one of those is incineration, waste to energy. And

about the smallest type of facilities that are economically feasible today and there is pretty good technology out there, about 300 ton a day plants. In northeast Iowa it would take us nine rural counties to generate that kind of waste and we could generate 6½ megawatts of electricity per hour and we have work with the utility companies and there are provisions under Iowa code under which they will buy that electricity, but to put up a plant like that, you are talking about $80,000 a ton and additional costs, you are running into a $30-million project. I am involved with a group that has worked for two years to try to seek out alternatives and work with waste management facilities in our area but in order to put coalitions together, it is very time consuming and very costly, very slow and laborious and there should be some way, some incentives that could be brought into place that would help rural America solve this problem because I think it is going to become more pronounced as our ground water becomes more contaminated and as we continue to try to deal with our sanitary landfills which are going to be very costly to maintain, I do not know what the answer is. I wish I could offer a solution but I would suggest that if you think in terms of how we might provide leadership to induce coalition governments to work together to get the ball rolling on this, it would be a positive step toward something that is going to be needed out there that is going to be useful to society in general.

Mr. NAGLE. Thank you. Thank you for that testimony.

Lowell Norland, who is at the University of Northern Iowa, as I mentioned earlier, the former majority leader of the Iowa House of Representatives. We have Lowell left, and Steve, and Roger. Glenn has to be out of here by 3:30 p.m. So I would ask if you could give us the best of your testimony in a 3- or 4-minute timeframe, it would be helpful. Lowell.

STATEMENT OF LOWELL E. NORLAND, DIRECTOR, COMMUNITY SERVICES, UNIVERSITY OF NORTHERN IOWA

Mr. NORLAND. You are expecting a lot from an old politician, Mr. Chairman, but it is nice to be here.

Mr. NAGLE. You were known for your mastering of a short speech in the legislature, Mr. Norland.

Mr. NORLAND. Well, we will give it a try.

Let me reflect just a little bit because it is pertinent I think to what I would like to talk about. I will be brief. But in those days in the Iowa House of Representatives, we were dealing in sort of macro kind of economic things. We passed a lottery in 1985. We did industrial new jobs training package in 1983. We did a lot of things and it was fun and interesting and yet we did not succeed to the extent that I thought we should have.

Now, I am dealing in what I think probably is part of the missing link for economic development. Basically, it is technical assistance, the providing of technical assistance. And I remember in the days of the Iowa House people talked about technical assistance but was not very glamorous, and I now think that you cannot do without it, we had better step back a little bit and put in the realm of infrastructure and technical assistance.

Behind me, sits two gentlemen from the University of Northern Iowa. Mohamned Fahmy is the department head of industrial technology; Randy Pilkington is the project manager in the Institute for Decision Making. It is interesting that the community that is referred to today, Traer, was one of the clients of the Institute of Decision Making, and where that process of innovation, that process of going out working with the communities has borne fruit.

I am leaving you examples of the kind of technical assistance that the university is providing. Through the help of the Iowa Legislature and the Governor, we have had some funding for some various programs and I think they are really the kind of programs that I would hope, when you develop rural development legislation, you do not forget about. I think they have to be worked in. I think they are part of that infrastructure.

There are two questions that are probably the most asked at the University of Northern Iowa when you sit with the clients and watch the folks deal with the communities and businesses. The questions are always, "What is it that you would like to accomplish, what is your goal, and where is your vision?" Next is, "How can we help you reach those goals?" I think that in essence is really—that is technical assistance, that is using the process of innovation to create jobs with the quality of life aspect. And I think all of the University of Northern Iowa's efforts basically can be put in the area that I deal in mostly, in the area of how can we retain and create jobs, how can we do it with the quality of life that we all are going to be proud of.

I was interested to see an article, it was really the policy statement developed by the committee on agriculture and rural development of ASCU, the American Association of State Colleges and Universities, and I was going to read more of it to you, but let me read one sentence, and it sort of shocks me. "Historically, higher education has played a dominant role in rural development." And I think we have to remember that. They are an important player. Knowledge, communications, it is all part of it. Universities like Northern Iowa, the School of Business, Industrial Technology Center, the Institute for Decision Making, we are and would like to continue to be a player. Our programs basically are action oriented, our hands-on help working with the client as long as he wants to work with you. Ask Randy Pilkington how many phone calls it takes to communities before they are ready to go, how much time is spent on the phone, all the questions they have.

In this testimony they have presented to you, there are some case studies, DeWitt, Fort Madison, West Union, of what we feel are real success stories, working with the university. So an example, and I am going to quit, I am going to be really short, Congressman, an example I think hit us earlier this year when we were putting together the center for metal casting. It is surprising the number of metal casting industries there are in the State, what a basic industry that can be. In talking to one of the people who runs a foundry, we asked what would you like to see most of all in a metal casting center. They said people. We want to have a comfort level that we have access to, the best technology that is out there, so that we do not get run over.

I think that really sums it up, the role that a university can play is a comfort level of technology, and knowledge, and we are working hard to transfer that knowledge to the communities in the private sector.

Thank you.

Mr. NAGLE. Thank you very much, Lowell.

Mr. NORLAND. Did I make 5 minutes?

Mr. NAGLE. You did very well, sir. My faith in you has never been misplaced. But I did not mean to diminish. You are doing some exciting and innovative work up there at the University of Northern Iowa and I did not mean in the press of time, Lowell, to in any way diminish your testimony or the impact you are having at the University of Northern Iowa, you and your colleagues.

Mr. NORLAND. I had a very good time at a power lunch sponsored by Marshalltown Chamber of Commerce with Chairman English today.

Mr. NAGLE. You got two shots at him. Mr. Ovel, is next.

STATEMENT OF STEVEN J. OVEL, EXECUTIVE DIRECTOR, ECONOMIC DEVELOPMENT CENTER, KIRKWOOD COMMUNITY COLLEGE

Mr. OVEL. Thank you very much Congressman, and Congressman English. What Lowell has just been talking about, I would agree, is the essence of what we are starting to move toward and at the community college level which I represent, that is what we really are starting to get into is the business of technical assistance in a very broad range of areas.

Let me just make four very quick points and then I will move into a couple of model programs that we have put into place over the last 4 years that I think are indicative of this. The first is, I think, you need to recognize that many States and subregions around the country have already taken the initiative to develop some very innovative and some very successful economic development and rural development programs and delivery systems. I think any Federal initiatives that are developed need to recognize that and need to complement and build upon them and not duplicate them.

But I will also tell you that in our community, our community college, and in our region we are not going to wait around for the Federal Government to take the action necessary to solve our problems and meet our opportunities. I think I can speak on behalf of the thousands of people that are engaged in the process in our area and I can tell you that we recognize that ultimately we are the ones who are going to get it done. The State is not going to come in and do it for us, and the Federal Government is not going to come in and do it for us. However, we have been as resourceful as we can be in accessing those very important resources available at the State, Federal, private levels to assemble the resources we need to try to deal with those problems and opportunities and I think we are getting that job done.

Second, I encourage you to recognize the increasingly important role that this Nation's community colleges are playing in the economic development process. It varies greatly around the country

but they, for the most part, are becoming very effective regional delivery systems. And I think what is important about that is we are finding that to deal with economic development, rural development issues, to deal with them on a regional basis is becoming a much more effective way of going about it than dealing with it strictly at the local level, or the State level, or the national level. The reason for that is as a community college and again, as a regional institution, we have just kind of taken a natural leadership role. We have become kind of a third neutral party in a lot of cases in working with communities who maybe were very competitive before or counties that were competitive in helping them to find that shared vision in terms of what their common objectives and their common strengths are to move forward together. I think that regional approach to delivering programs and services is becoming something that has become very important.

Somewhere along the line you have to put the rubber on the road and we are trying to develop the infrastructure, if you will, that Lowell was referring to, that technical assistance system to do just that.

Third, I encourage you to seek out and replicate model rural development programs around the country. We have been working very hard at Kirkwood since 1984–85 through our Rural Diversified Enterprise Center to create a program to deal with the farm family and the farm family problems. During that period of time, we have had face to face contact with over 2,500 clients throughout the State, but primarily in our service area and have had great success in working one on one with the farm family.

We were successful in February in securing a significant grant from the Northwest Area Foundation out of St. Paul, Minnesota to put into place a 3-year project to model how a community college could become involved in assisting rural businesses in terms of a rural development or rural development business project and already we are having some real success in moving that project forward. We have coordinated that effort with a small business incubator and a new business center which we put into place 1 year ago. In that short period of time, we have already processed 280 clients through that particular facility, put four businesses into the incubator and helped eight others locate in commercial property.

I think the bottom line is—because I know we need to move on—but I think the bottom line is that we also recognize as well as Lowell that the provision of technical services on a one to one meaningful basis is becoming a very important element of this process. We have been as resourceful as we can be to go out and try to find the funds and the support necessary to do that, but that is not true across the State of Iowa, that is not true across the country. And I would certainly encourage you to try to identify those programs and those systems that are working. Again, I happen to be one of those people that believes in terms of distribution of Federal moneys, you need to put money into the very best programs to help them become even better, and you need to put money into those areas that need the support that they cannot afford to do it themselves. I think we need to work on both ends of that spectrum.

We are very pleased to be part of this whole process at the community regional level and encourage you the very best with your process. Thank you.

[The prepared statement of Mr. Ovel appears at the conclusion of the hearing.]

Mr. NAGLE. Thank you, Steve. I want to say that the work you have done and the Kirkwood Community College has done in towns like Marengo and the Amana Colonies, in Belle Plaine, as well in other communities outside of the ones I even know about is just an outstanding example of what an aggressive community college program can do, and only if your resources and energy were matched in the rest of the State. Your point is well taken about the need for the kind of people that you have at Kirkwood and the kind of job you are doing.

Mr. OVEL. Thank you, Congressman.

Mr. NAGLE. I mean that sincerely. I want to recognize that.

And now we have Mr. McMahon.

STATEMENT OF ROGER D. McMAHON, DIRECTOR, IOWA LEADERSHIP DEVELOPMENT INSTITUTE

Mr. MCMAHON. Congressman English and Congressman Nagle, we appreciate the opportunity to be here today.

The Iowa Leadership Development Institute was created in response to a presentation made by Jim Gannon, formerly editor of the Des Moines Register at a smalltown symposium held at Grinnell College in the spring of 1987.

In the months that followed, the Iowa Association of Independent Colleges and Universities, in cooperation with Governor Branstad's office, put forward a proposal which recommended the utilization of the natural statewide network of independent colleges and universities throughout Iowa.

The leadership development institute which began in January 1988 is a cooperative 2-year project between the Iowa Association of Independent Colleges and Universities, the Iowa Department of Economic Development and Iowa's investor-owned electric and gas companies.

The leadership development institutes centers have been designated in each of the six congressional districts here in Iowa. In fact, today there are 18 independent colleges and universities participating in the process.

The goals of the institute are to identify and nurture potential community leaders and to assist those leaders in crafting achievable action plans. At this time, there are 65 rural Iowa communities participating in the process. The largest is 8,500. The smallest is somewhere in the neighborhood of 400, depending on who you talk to.

In order to maximize Iowa's resources, the leadership development institute has, and will work cooperatively with other institutions. UNI, we have three joint leadership programs with Iowa State University and we have one with Kirkwood Community College.

Over 500 individuals throughout Iowa are participating in this process. Those individuals are bankers, they are school superin-

tendents, they are city council members, they are farmers, they are homemakers. They run the range from youth to elderly citizens and we are pleased with that.

The program is approximately $425,000. The funds are provided, as I said, through the department of economic development, through the Iowa Association of Independent Colleges and through the investor-owned electric and gas companies. Each community is also asked to provide $2,000. Not only does it provide local commitment but also helps to provide the match that we have talked about in previous sessions here today. The institute through its local campus centers and local campus coordinators, builds local capacity through priority identification, resource review, group decisionmaking, team building, and community networking workshops.

Community successes, directly or indirectly attributed to involvement in the institute, are already occurring. A local economic development group has formed in Ossian, Riverside had recruited a new medical waste plant, Eddyville received a business incubator grant and there are a number of other communities that we could talk about. Our project ends in December 1989 and the question that we bring to you today is: Where do our communities go after our process ends and similar leadership development processes end?

Mr. NAGLE. What is the source of your funding?

Mr. MCMAHON. We have $250,000 from the department of economic development—which ERTA funds, we can draw down up to $250,000, $2,000 from each community to participate. If a community is not able to raise $2,000, we will provide scholarship funds in varying amounts. Those funds were raised or provided through the Ginnett Foundation, Pioneer Hybrid and the Iowa Farm Bureau Federation.

Mr. NAGLE. Why does your project have to end?

Mr. MCMAHON. Our funding is done as of December 1989 and——

Mr. NAGLE. Is the work done?

Mr. MCMAHON. The work is years away from being done and that is why we are proposing that Iowa State Extension through its tomorrow's leaders today program, the Iowa Leadership Development Institute, and community colleges and other regions institutions come together and start a center for collaborative rural leadership development which will maximize Iowa's resources and give us an opportunity to avoid any programmatic confusion, programmatic duplication, but also to focus our efforts on those individual communities, those groups of communities, or those county-wide communities that are trying to build local capacities and priority identification.

We also believe that the center would be a national and a local model of cooperation and local capacity building and priority identification and certainly would assist communities, local communities to prepare logically, realistically, and positively for the future.

That basically finishes our testimony. We have included more information for you to review but the independent colleges and universities are pleased to be involved in this process and to be involved in serving Iowa. So hopefully that gives you a little bit of time for questions.

[The prepared statement of Mr. McMahon appears at the conclusion of the hearing.]

Mr. NAGLE. I am delighted with your testimony. Thank you very much.

I do not have any specific questions. Mr. English.

Mr. ENGLISH. I do not either, Mr. Chairman. I think that we have had some outstanding testimony here, and if you have no further questions at all, I am going to very quickly grab this gavel before you decide to take it home with you here. I was getting a little worried about that.

Mr. NAGLE. If I can say to our participants, if I can have a minute and a half, Mr. Chairman, if you would yield me the honor.

Mr. ENGLISH. Yes, indeed. You got it.

Mr. NAGLE. We have heard from a water association, from the realtors association, from the telecommunications association, from the REC's, from the hospitals, from the mayors of the communities, from the municipal utility companies, from 4-H's. We have heard from legislators, from private colleges, from community colleges, from the University of Iowa, the University of Missouri, from banking associations and financial institutions, including the Farm Credit System. It is about as complete a focus I think—we heard, of course, from a Governor—it is about as complete a focus on a hearing—focused just once on agriculture and rural development in Iowa I think that we have ever had together from so many diverse sources in one room.

The question is why? And the answer is first of all, for my own education. That is why you hold these. You do not come to lecture, you come to listen. And I think—both Glenn and I have been swapping comments on your testimony up here on some of your proposals—and we take back from this one and some of the others I hope to be able to attend with him, not necessarily the specific language of each person that testified to us, but a composite of what the mood and the direction and the need are out here. That is why you do these. That is why you come to the ground. And in that sense, everyone that participated here today should have a feeling that you are contributing to what I hope will be an innovative attempt at rural revival and rural renaissance that actually we are at the peak of an opportunity of an era that we have perhaps not even believed possible until we start going around the country and seeing the energy, and the force, and the leadership that we have committed to these projects.

So I congratulate you. Panels, not Congressmen, make the day a success.

I hope our chairman has enjoyed it as much as I have. I have learned a great deal and I thank all of you for having been here today.

I yield back the gavel reluctantly. [Laughter.]

Mr. ENGLISH. Thank you very much. Let me say too, though that I appreciate the hospitality that people here in Iowa and certainly, Dave, that you have shown. We have had some very fine testimony, excellent testimony. It is going to be very helpful in this effort.

It was written up when we announced these series back before June, before we started the hearings in Washington, that the process that we were using was a little unusual. Normally what we

have in this process is that you have some legislation drawn up and then you have hearings on the legislation as to what people think. We felt in this particular case that there is such a broad base of knowledge with regard to this issue, it varies so much from area to area, it really gets into the question of what is rural development even. There are differences within regions of the country as to what that means. So you get that kind of variety. We wanted to establish the hearings before we started looking seriously at the legislation. There are some little points that we pick up, different things, it should contain this or it should contain that. But we have deliberately not attempted to draw any conclusions as to, what this whole package should look like. We want to wait until we do receive the testimony throughout the Nation. And you have contributed a good part, and as Dave says, hopefully once we complete this process, it will be a composite of the needs of the country, and the opinions of the country, the thoughts of the country, and hopefully this legislation will reflect that.

I want to thank each of you and I want to thank the people of Iowa. We appreciate your contribution.

With that, Mr. Nagle, we will recess subject to call of the Chair. Thank you.

[Whereupon, at 3:23 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

RURAL DEVELOPMENT HEARING
GOVERNOR TERRY E. BRANSTAD
AUGUST 11, 1989

* REPRESENTATIVE ENGLISH, REPRESENTATIVE NAGLE, THANK YOU. I APPRECIATE THE OPPORTUNITY TO SHARE INFORMATION AND OBSERVATIONS ON RURAL DEVELOPMENT IN IOWA WITH YOU.

* RURAL AMERICA IS INDEED IN A PERIOD OF TRANSITION. THERE HAVE BEEN DRAMATIC CHANGES JUST IN THIS DECADE.

- SEVERE FARM CRISIS WHERE LAND VALUES IN IOWA DROPPED 65% BETWEEN 1980 - 1986.
- FARM ECONOMY HAS REBOUNDED SOMEWHAT, DESPITE THE FACT THAT WE ARE IN THE SECOND YEAR OF A SEVERE DROUGHT.

* OVERALL, RURAL AMERICA IS PASSING THROUGH A TIME OF TRIAL AND OPPORTUNITY.

- SINCE 1980, OVER 50% OF ALL RURAL COUNTIES HAVE LOST POPULATION.
- BETWEEN 1979-1986, RURAL AREAS GAINED NEW JOBS AT ONLY 43% RATE OF METRO AREAS.
- AND, USDA PROJECTS RURAL GROWTH RATE THAT IS ALMOST 30% LESS THAN THE URBAN GROWTH RATE THROUGH THE YEAR 2000.

* WE'VE ASSESSED THESE TRENDS AND WE ARE WORKING TO STRENGTHEN AND DIVERSIFY IOWA'S ECONOMY WITH SPECIAL EMPHASIS ON RURAL ECONOMIC DEVELOPMENT.

* THROUGH THESE YEARS, WE'VE PUT IN PLACE A NUMBER OF INITIATIVES DESIGNED TO ASSIST RURAL IOWA RETAIN AND IMPROVE ITS ECONOMIC HEALTH.

* AMONG OUR INITIATIVES:

  . ESTABLISHED OFFICE OF RURAL DEVELOPMENT IN OUR DEPARTMENT OF ECONOMIC DEVELOPMENT FOR COORDINATION OF RURAL PROGRAMS.

  . THIS YEAR CREATED OFFICE FOR RURAL HEALTH AND I APPOINTED A RURAL HEALTH TASK FORCE THAT WILL MAKE RECOMMENDATIONS THIS FALL.

  . RURAL LEADERSHIP DEVELOPMENT PROGRAMS: "TOMORROW'S LEADERS TODAY" THROUGH ISU EXTENSION; IOWA LEADERSHIP DEVELOPMENT INSTITUTE THROUGH PRIVATE COLLEGES.

. OUR COMMUNITY COLLEGES PLAY A ROLE IN SERVICE DELIVERY TO RURAL IOWA:

-- IOWA ECONOMIC DEVELOPMENT NETWORK -- 15 CENTERS ACROSS THE STATE THAT PROVIDES LOCAL ACCESS TO PROGRAMS AND INFORMATION.

-- ECONOMIC DEVELOPMENT UNITS ASSIST LOCAL COMMUNITIES.

-- PROVIDE JOB TRAINING AND MANAGE JTPA PROGRAMS THROUGHOUT THE STATE.

. GRANT PROGRAMS:

-- CDBG, EXCELLENT SOURCE FOR FUNDS FOR COMMUNITIES 50,000/UNDER; FEDERAL-STATE PARTNERSHIP HAS WORKED WELL BECAUSE OF FLEXIBILITY.

-- STATE LOTTERY DOLLARS SUPPORT CEBA, A VERY SUCCESSFUL GRANT AND LOAN PROGRAM THAT ENCOURAGES BUSINESS EXPANSION/NEW BUSINESSES.

. MARKETING PROGRAMS FOR COMMODITIES WITH EMPHASIS ON ADDING VALUE/FURTHER PROCESSING.

-- IOWA QUALITY BEEF AND PORK PROMOTIONS IN JAPAN.

* ON A BROADER SCALE, THE NATIONAL GOVERNORS ASSOCIATION, OF WHICH I RECENTLY BECAME CHAIRMAN, HAS MADE RURAL ECONOMIC DEVELOPMENT ONE OF ITS PRIORITIES.

* TWO YEARS AGO, THE NGA HAD A TASK FORCE ON RURAL DEVELOPMENT THAT SPELLED OUT SPECIFIC RECOMMENDATIONS FOR WHAT WE CALLED THE BOTTOM UP PROCESS.

* WHAT WE FOUND IS THAT STATE AND FEDERAL GOVERNMENTS CAN'T PREDICT WHICH COMMUNITIES WILL GROW AND WHICH WILL NOT. ONLY A COMMUNITY CAN DETERMINE ITS OWN FUTURE.

* OUR ROLE AS STATE AND FEDERAL OFFICIALS SHOULD BE TO ENCOURAGE COMMUNITY LEADERSHIP TO DEVELOP A VISION FOR THE FUTURE; TO WRITE AND THEN IMPLEMENT A STRATEGIC PLAN.

* WE CAN, AND SHOULD, HELP WITH SOME EXPERTISE AND COORDINATION OF RESOURCES, BUT IN THE END I THINK WE SHOULD ENCOURAGE FLEXIBILITY TO ALLOW RURAL COMMUNITIES TO DETERMINE AND BUILD THEIR OWN FUTURES.

* AS YOU CONSIDER LEGISLATION TO ENCOURAGE RURAL DEVELOPMENT I RECOMMEND THAT YOU SEEK TO ACCOMPLISH:

  - BUILDING IN INCENTIVES FOR STATES TO PARTICIPATE IN FEDERAL PROGRAMS.
  - THE FLEXIBILITY TO ADAPT TO DIFFERENT CIRCUMSTANCES IN DIFFERENT STATES.
  - ENCOURAGE LOCAL INITIATIVES AND LOCAL PLANNING.
  - PROMOTE COOPERATION AND SHARING OF LOCAL ECONOMIC DEVELOPMENT ACTIVITIES AND RISK AMONG ALL THE STAKEHOLDERS -- FEDERAL, STATE, LOCAL OFFICIALS, PRIVATE SECTOR - BANKS, BUSINESSES, UTILITIES.

* IN IOWA, WE ALREADY HAVE IN PLACE A STRUCTURE IN OUR DEPARTMENT OF ECONOMIC DEVELOPMENT THAT PROVIDES VERY EFFICIENT AND EFFECTIVE MANAGEMENT OF FEDERAL FUNDS AND PROGRAMS, INCLUDING CDBG AND JTPA. IT DOESN'T MAKE SENSE TO SET UP A SEPARATE BUREAUCRACY TO MANAGE A NEW RURAL DEVELOPMENT PROGRAM.

* CONGRESS IS CONTINUALLY DEVELOPING NEW PROGRAMS, YET THE DELIVERY SYSTEM REMAINS INCONSISTENT.

* A GOOD EXAMPLE OF THIS IS THE FRED PROGRAM. HERE, WE ASK PEOPLE TO SEND APPLICATIONS TO THE STATE, WHILE FUNDING DECISIONS ARE MADE AT THE FEDERAL LEVEL. THIS BREEDS A LOT OF CONFUSION.

* WE NEED TO USE EXISTING CAPABILITIES IN THE STATES. IOWANS ARE ALREADY USING OUR STATE SYSTEM FOR TECHNICAL ASSISTANCE; FOR STRATEGIC PLANNING; FOR INFRASTRUCTURE; FOR FINANCIAL INCENTIVES. MOVING A NEW PROGRAM INTO THIS SYSTEM WOULD GIVE CONSTITUENTS FAIR AND EQUAL ACCESS ACROSS IOWA.

* AN INDEPENDENT OVERSIGHT GROUP SUCH AS OUR EXISTING CITIZEN BOARD FOR ECONOMIC DEVELOPMENT COULD BE INSTRUMENTAL IN MANAGING THIS RURAL DEVELOPMENT PROGRAM. THE GROUP WOULD PROVIDE NEEDED BALANCE, COORDINATION WITH THE FEDERAL AGENCY AND, AT THE SAME TIME, ELIMINATE THE POSSIBILITY OF DUPLICATION THAT EXISTS BY CREATING A NEW ENTITY.

* IT IS ALSO IMPORTANT THAT WE HAVE EQUAL ACCESS TO RURAL DEVELOPMENT PROGRAM FUNDS TO ENSURE THAT ALL INTERESTS IN THE STATE ARE SERVED.

* SPECIFICALLY, WE CAN SEE MANY WAYS TO FOSTER A FEDERAL-STATE-LOCAL PARTNERSHIP FOR RURAL ECONOMIC DEVELOPMENT.

* IOWA HAS ALREADY DEVELOPED A PLAN FOR A NARROWCAST SYSTEM FOR OUR PUBLIC SCHOOLS. WE HAVE ALLOCATED $10 MILLION TO START THIS PROJECT AND COMMITTED $10 MILLION A YEAR FOR THE NEXT FOUR YEARS FOR THE BACKBONE SYSTEM. THE TOTAL FOR THE ENTIRE SYSTEM IS ESTIMATED AT OVER $100 MILLION.

* THIS IMPORTANT SYSTEM, OUR NEW TRANSPORTATION SYSTEM FOR KNOWLEDGE IN THE FUTURE, CAN BE USED TO LINK RURAL HOSPITALS TO LARGER INSTITUTIONS; TO MAKE RURAL SMALL BUSINESS COMPETITIVE VIA FIBER OPTICS WITH HIGHER COST BIG CITY COMPETITORS. WE WOULD WELCOME FEDERAL ASSISTANCE TO FURTHER SUPPORT OUR TELECOMMUNICATIONS NETWORK PLAN.

* WE ALSO NEED TO ADDRESS RURAL INFRASTRUCTURE. OUR SMALL COMMUNITIES NEED ADEQUATE WATER SUPPLIES AND DROUGHT RELIEF ASSISTANCE. WE NEED A PROGRAM TO STRENGTHEN THE INTEGRITY OF OUR RURAL HOUSING STOCK.

* THERE ARE ALSO SEVERAL NON-TRADITIONAL INFRASTRUCTURE NEEDS THAT MAKE OUR RURAL COMMUNITIES VIABLE FOR FAMILIES:

  . DAY CARE FACILITIES
  . HEALTH CARE FACILITY IMPROVEMENTS
  . EMERGENCY MEDICAL RESPONSE SYSTEMS (911)

* THIS YEAR WE MADE A SIGNFICANT COMMITMENT OF NEARLY $7.5 MILLION FOR INFRASTRUCTURE IN RURAL IOWA THROUGH OUR RC (RURAL COMMUNITY) 2000 PROGRAM. A COOPERATIVE EFFORT PROVIDED BY FEDERAL LEGISLATION WOULD FURTHER ENHANCE THIS PROGRAM.

* THE PARTNERSHIP COULD BE OF GREAT ASSISTANCE IN HELPING US DEVELOP A STATE RURAL ECONOMIC DEVELOPMENT STRATEGIC PLAN FOR IOWA. CLEARLY, FOR RURAL DEVELOPMENT PROGRAMS TO SUCCEED, WE ARE GOING TO NEED A SOLID AND TARGETED PLAN. WE CANNOT AFFORD A RANDOM APPROACH.

* IN THE AREAS OF RURAL BUSINESS ASSISTANCE, LOANS AND GRANTS WOULD THEN BE TARGETED TO COMMUNITIES AND COMPANIES AS PART OF THE RURAL STRATEGIC PLAN. THE STATE IS ALREADY INVOLVED IN MANAGING AND MATCHING FEDERAL DOLLARS IN CDBG.

* WE WANT TO ADMINISTER THE RURAL DEVELOPMENT PROGRAM AND WE HAVE THE EXPERIENCE AND EXPERTISE TO DO IT WELL AT LITTLE COST.

* WE WOULD SUGGEST A POOL OF MONEY THAT WOULD BE AVAILABLE TO THE STATES ON AN RFP BASIS TO STRENGTHEN LOCAL AND STATE PLANNING. OUR GOAL WOULD BE A TOTALLY FOCUSED ECONOMIC DEVELOPMENT EFFORT. SPENDING GUIDELINES FOR THE MONEY NEED TO REMAIN FLEXIBLE, BUT TWO ALTERNATIVES FOR IOWA MIGHT BE:

- INCREASED STRATEGIC PLANNING ACTIVITIES AT LOCAL, REGIONAL AND STATE LEVEL.
- INVESTMENT IN RURAL LEADERSHIP DEVELOPMENT PROGRAMS. IN IOWA WE ARE CURRENTLY PROPOSING A CENTER FOR COLLABORATIVE RURAL LEADERSHIP DEVELOPMENT.
- A RURAL ENTERPRISE FUND WHICH WE CREATED TO SUPPORT CAPACITY BUILDING FOR LOCAL ECONOMIC DEVELOPMENT ORGANIZATIONS. EXPANSION OF THIS PROGRAM COULD BENEFIT COMMUNITIES THROUGHOUT IOWA.

* IN SUMMARY, I BELIEVE YOU NEED TO BUILD THESE ELEMENTS INTO YOUR PROPOSED LEGISLATION FOR RURAL ECONOMIC DEVELOPMENT:

- PARTNERSHIP -- FEDERAL-STATE-LOCAL.
- FLEXIBILITY, ESPECIALLY FOCUSED AT THE LOCAL LEVEL.
- WORK THROUGH EXISTING STRUCTURES.
- CONSISTENT SERVICE DELIVERY.
- ENCOURAGE THE BOTTOM UP PROCESS USING A STATEWIDE RURAL DEVELOPMENT STRATEGIC PLAN AS A GUIDE -- FOCUSED ON THE GOALS SET BY LOCAL COMMUNITIES.
- HELP SUPPORT INITIATIVES ALREADY IN PLACE IN THE STATES.

* THANK YOU FOR THE OPPORTUNITY TO ADDRESS YOU AND I'D BE HAPPY TO ANSWER YOUR QUESTIONS.

24-380 O—90——24

POWESHIEK WATER ASSOCIATION

I am Ruth Wagner, Manager of the Poweshiek Water Association. Poweshiek Water is a public body organized under Iowa Code 357A. Our office is in Brooklyn, Iowa and our treatment plant south of Tama, Iowa. We serve water to rural customers in all of Poweshiek County, the southern third of Tama County and parts of Iowa, Mahaska, Keokuk and Jasper Counties. We have approximately 1,600 users plus we sell bulk water to the town of Barnes City.

There are 21 rural water districts in the state of Iowa. Although I am speaking from my knowledge of Poweshiek Water Association, we all face similar problems. These past two years have been the best of times and the worst of times for rural water districts. The best of times because good quality water is in demand and the worst of times because financing is also in demand and difficult to obtain.

Rural water districts play a vital part in Iowa's economy. If we are to continue to grow and expand our rural areas we must provide an ample supply of good quality water. There are many areas in our state that do not have an adequate supply of water and some of the areas that do have an adequate supply do not have safe water. Regulations are becoming stricter as to the quality of the water that humans comsume, and this is as it should be. We are all becoming aware of ground water contamination. There are wells today being used with high levels of nitrates and bacteria as well as other contaminants.

If the rural area is to be competitive in securing industry, we must provide water. The availability of water increases the property value whether the buyer wishes to build a house, raise livestock or for future investment. I think rural water will play the same role that the rural electric co-ops play in the development of the rural areas.

Rural water associations do not have taxing authority to raise income so the water rates that are set have to pay back loans as well as operate the system. If we are to serve an ample supply of good quality water to the people, it has to be affordable. To make the water affordable, we need to have grant money. We sometime have to run a water line 1 to 2 miles for one customer. This could not be feasible without grant money. We need the balance of grant monies with low interest loans. The guidelines for receiving grants could perhaps be adjusted to allow more districts to qualify.

We would like a more timely method of financing. We waited five years from the time of our first application until we received funding. So much changed in that five years - people had to dig wells, the economy dropped, lots of farms changed hands. When you are out of water, you need it now. To some of the people, hauling water has become a way of life.

At Poweshiek Water Association we have a project waiting to be funded this month. 1. We have our easements, our membership fees, our water user agreements and we are ready to go to bid. 2. We have a future project of crossing the Iowa River and running water lines to the people in Tama County where we have calls almost daily from people asking about rural water and telling us of their needs. 3. We also have plans, not on the drawing board yet, but of areas we know have need and we have the ability to serve. If the projects in the state of Iowa that are in the above three stages were funded, we would need 25 to 30 million dollars each year for the next five years.

Farmers Home Administration has been our sole funding agency and I would like to commend them for the outstanding job they do. They work hard with the rural water districts trying to get feasible funding. The state has also played an important role in funding with participating grants - these are listed in the information that you were given.

I think Iowa is ready for growth and we can do our fair share but we do need federal assistance. Rural Water would like to play a part in strengthening our economy and maintaining our high standard of living in rural Iowa. We believe everyone should have access to an affordable, ample supply of good quality water.

Thank you for coming to Iowa to listen to our concerns and needs.

(Attachments follow:)

Poweshiek Water Association

P. O. Box D BROOKLYN, IOWA 52211 (515) 522-7416

A BRIEF HISTORY OF POWESHIEK WATER ASSOCIATION

In May, 1977, two farmers in Poweshiek County approached the County Extension director to set up an informational meeting on the possibility of obtaining rural water. The first meeting was held July 7, 1988 at the Malcom Auditorium with approximately 100 persons in attendance. At the next meeting a board of 13 members was elected to serve until January 18, 1954 when the board was changed to nine members.

Poweshiek Water Association was incorporated in mid-1978. A consulting engineering firm was retained in March, 1978 to design a system and file an application for an FmHA loan. Because of a much greater demand than supply of available funds, the project did not receive funding until April, 1983.

On March 20, 1984,bid letting took place for the distribution system and towers. On June 5, 1984, bid letting took place for the treatment plant and wells.

Construction on the distribution system began in April, 1984, and the original project was declared finished on July 26, 1985. Ground breaking at the treatment plant was October 6, 1984, and it started pumping water September 10, 1985. The Farmers Home Administration financed the project with a $7,912,900 loan at 6.125% and a grant of $5,687,100.

The system serves customers in all of Poweshiek County, the lower one-third of Tama County, and parts of Iowa, Keokuk, Mahaska and Jasper Counties. Poweshiek Water Association now has application in for $1,200,000 to construct water lines in two townships in Iowa County. We also have future plans to seek funding to cross the Iowa River and serve more of Tama County.

Poweshiek Water Association owns approximately 30 acres south of the Iowa River east of Highway 63 in Columbia Township, Tama County, Iowa.

Five wells were drilled on that property into the Iowa River alluvium and adequately supply the system with water. These wells are about 45 feet deep and each produces 375 gallons per minute. Each well is bermed high enough to withstand 100-year floods, and is gravel-packed and concreted to prevent any possible surface contamination. Each of the five wells is equpped with a 25 H.P. submersible turbine pump which pumps the water to the treatment plant.

WATER TREATMENT

As the raw water enters the treatment plant it is metered, then it flows through an aeraor to oxidize the iron in the water.

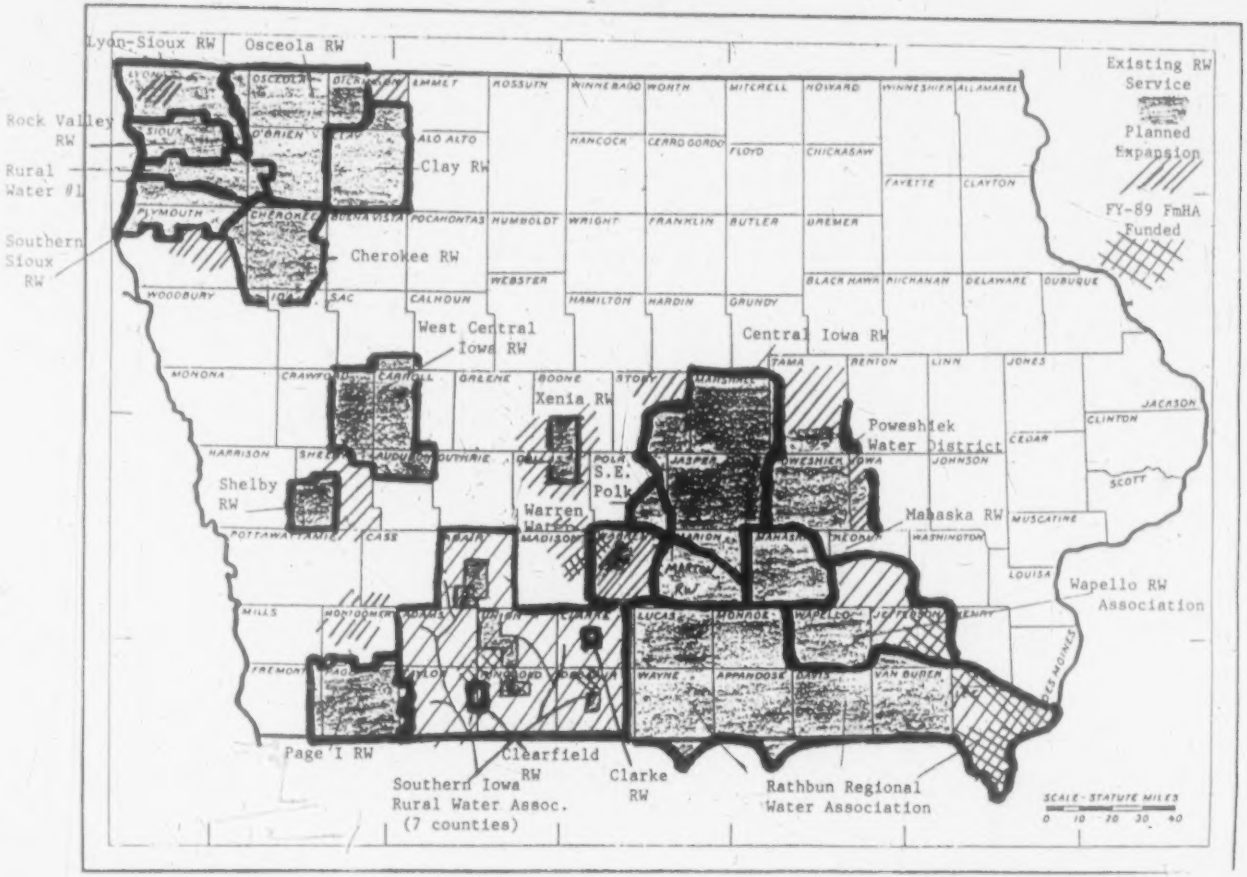
As the water flows out of the aerator and enters the rapid-mix, aluminum sulfate, polymer and chlorine are added. The lime slurry is mixed by the rapid-mixer and then sent to the floculater. In the floculater the extra lime and iron and manganese settle to the bottom and the good water rises to the top and flows into the recarbonation tank where the PH is corrected to 8.3. The water then flows to the filters for the final step of processing. After the filters, the water goes to the 87,000 gallon clear well and is ready to be pumped to the towers and distribution system.

The finished water is pumped to the distribution system and towers as needed and called for by the telemetry system. The treatment plant has two 75-H.P. and two 40-H.P. high service pumps that deliver water to the system and 300,000 gallon main tower south of the treatment plant along Highway 63. A booster station is used to monitor and fill the 50,000 gallon tower west of Highway 63. Another booster station located south of the main tower provided water to the 200,000 gallon tower south of Malcom along Highway 63.

The distribution system, a vast network of pipes and valves designed to bring water to the consumers accounted for approximately two thirds of the total project cost. The Poweshiek Water Association has approximately 950 miles of water line at the present time. We serve 1,573 mefers at the present time plus the towns of Guernsey, Gibson and Barnes City.

We are now waiting for FmHA funding to complete two townships in Iowa County. We then have future plans of crossing the Iowa River and running water lines into Tama County. We also have areas that are in need of water and we have ability to serve but we have not surveyed those areas yet. There is much need for an ample supply of good quality water that is affordable. Poweshiek Water Association as well as other water districts need low interest loans and grant money to provide the water at an affordable price. Rural water can play a vital role in developing and strengthening the economy in rural Iowa.

RURAL WATER SYSTEM IN IOWA
Existing and Planned Expansion
June 1989



FARMERS HOME ADMINISTRATION
IOWA
1989 Fiscal Year Water & Waste Funding

Applicant	Allocation	Loan	Grant	Other Funds (CDBG, EDA, Appli., EPA, etc.	Total
City of Delta (water)	IA	$ 22,300	$ 57,700	$ --	$ 80,000
Southern Iowa Rural Water Association (SIRWA)	IA	644,000	821,000	387,000 (CDBG) (Van Wert-Weldon)	1,852,000
Rathbun Regional Water Association (RRWA)	IA	1,750,000	-	200,000 (CDBG)	1,950,000
Warren Water District	IA	1,100,000	-	225,000 (CDBG) (Bevington-Patterson)	1,325,000
City of Randall (sewer)	IA	169,200	-	579,000 (EPA)	748,200
City of University Park (sewer sub)	IA	-	40,000	-	40,000
City of Harpers Ferry (sewer sub)	IA	-	50,000	-	50,000
City of Marne (water)	IA	81,000	132,500	162,000 (CDBG)	375,500
City of Fayette (water)	IA	91,000	-	183,500 (CDBG)	274,500
Shelby County RWD (Kirkman/Corley)	IA	83,500	80,000	95,000 (CDBG)	258,500
City of Lenox (water)	IA	453,000	-	175,000 (CDBG) 827,300 (EDA/cash)	1,455,300
City of Lineville (sewer)	IA	288,200	288,200	200,000 (CDBG) 688,600 (EPA)	1,465,000
City of Waucoma (sewer)	IA	145,000	13,000	156,000 (CDBG) 361,000 (EPA)	675,000
SIRWA (City of Grand River)	*NO-Jun	245,000	220,000	200,000 (IDED)	665,000
SIRWA (Treatment Plant-Creston)	NO-Jun	1,200,000	500,000	900,000 (IDED)	2,600,000
SIRWA (Taylor Co)	NO-Apr(Ln)	450,000	50,000	1,000,000 (CDBG)	1,500,000
SIRWA (Adams/Union Co.-Beaconsfield)	NO-Jun	390,000	200,000		590,000
Wapello Rural Water	NO-Apr	1,900,000	-	500,000 (CDBG)	2,400,000
RRWA (S. Lee Co.)	NO-Apr	2,000,000	-	500,000 (CDBG)	2,500,000
RRWA (N. Lee Co.-Service Area #1)	NO-Jun	1,000,000	-	1,000,000 (IDED Ln) 500,000 (IDED Gt)	2,500,000

*NO (National Office)

(8-89)

City of Harvey	IA	96,800		492,300 (EPA) 200,000 (CDBG)	789,100
Clay Co. Water Dist.	NO-Apr	1,450,000	-	50,000 (cash)	1,500,000
		$13,559,000	$2,452,400	$9,581,700	$25,593,100
Iowa 1989 FY Allocation		$ 4,924,000	$1,532,400		
From Nat'l Office "Pool"		8,635,000	920,000		
Total		$13,559,000	$2,452,400		

1989 RURAL WATER/COMMUNITY FUNDING

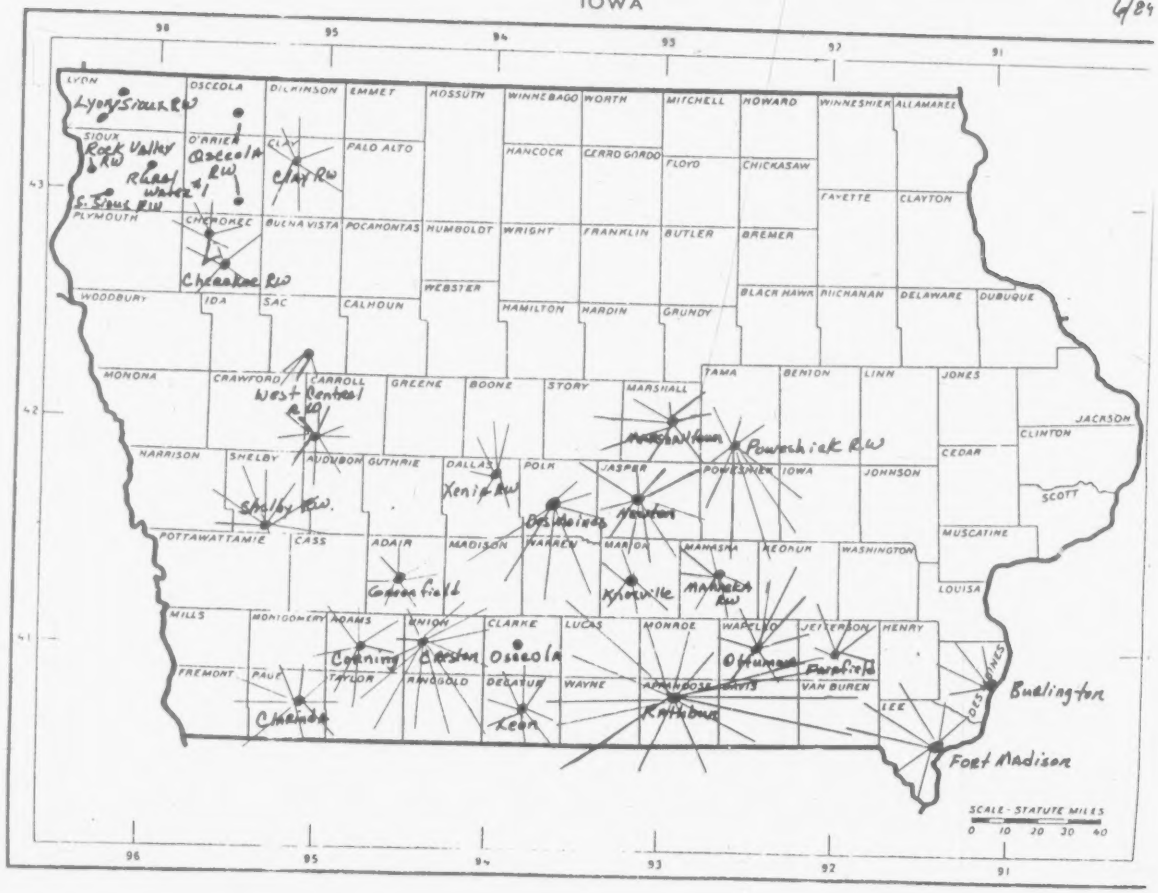
Applicant	FmHA Loan	FmHA Grant	IDED Loan	IDED Grant	Other	Total
Clay Co. RW (E. Okoboji)	$1,450,000					$ 1,450,000
Rathbun Reg Water						
(S. Lee Co.)	$2,000,000			$ 500,000		$ 2,500,000
(Middle Lee)	$1,750,000				$200,000	$ 1,950,000
(N. Lee Co.)	$1,000,000		$1,000,000	$ 500,000		$ 2,500,000
	$4,750,000		$1,000,000	$1,000,000	$200,000	$ 6,950,000
Southern Iowa RW Association						
(N. Decatur Co.)						
-Van Wert/Weldon	$ 644,000	$ 821,000		$ 387,000		$ 1,852,000
(Grand River)	$ 245,000	$ 220,000		$ 200,000		$ 665,000
(Rur. Union/Adams)	$ 390,000	$ 200,000				$ 590,000
(Creston Treatment)	$1,200,000	$ 500,000		$ 900,000		$ 2,600,000
(Lenox/Creston line)	$ 400,000	$ 50,000		$1,000,000		$ 1,450,000
	$2,879,000	$1,791,000		$2,487,000		$ 7,157,000
Wapello RW (E. Jefferson Co.)	$1,900,000			$ 500,000		$ 2,400,000
Warren Water (NW Warren, Bevington, Patterson)	$1,100,000			$ 225,000		$ 1,325,000
	$9,529,000	$1,791,000	$1,000,000	$4,212,000	$ 200,000	$17,832,000

KNOWN RURAL AREAS WITH UNFUNDED RURAL WATER NEEDS

Rural System	County	User Estimate	Cost Estimate	Status
Wapello Rural Water	Jefferson	700	$3,400,000	Ready for Final Design
	Keokuk	Unknown	7,300,000	Under Survey
SIRWA	Taylor	Unknown	8,000,000	Under Survey
	Adams	Unknown	8,000,000	Under Survey
	Ringgold	Unknown	8,000,000	Under Survey
	Clarke	Unknown	7,000,000	Under Survey
	Decatur	Unknown	3,500,000	Under Survey
	Union	Unknown	2,000,000	Under Survey
Rathbun	No. Lee	218	1,500,000	In Final Design
	Des Moines	Unknown	3,000,000	In Survey
	Henry	Unknown	3,000,000	In Survey
Marion	SE Warren	150	2,100,000	Preliminary Planning
Warren	NE Warren	300	2,000,000	Ready for Final Design
	So. Warren	Unknown	6,000,000	Preliminary Planning
Poweshiek	Iowa	157	1,200,000	Ready to Bid
	E. Tama	Unknown	6,000,000	Preliminary Planning
Central	W. Tama	200	1,000,000	In Survey
Page	Montgomery	Unknown	6,000,000	Preliminary Planning
Xenia	Dallas	Unknown	6,000,000	In Survey
	Boone	300	1,500,000	In Survey
Lyon & Sioux	Lyon & Sioux	200	4,000,000	Preliminary Planning
		Estimated Total:	$90,500,000	

(8-89)

Major Water Supply Sources for Rural Water



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TO: U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
CONSERVATION, CREDIT, & RURAL
DEVELOPMENT SUB-COMMITTEE
REPRESENTATIVE GLENN ENGLISH, CHAIR

FROM: RAY OSTHUS, PRESIDENT
IOWA ASSOCIATION OF REALTORS

DATE: AUGUST 11, 1989

INTRODUCTION

On behalf of the Iowa Association of REALTORS, I would like to thank you for your invitation to appear before this Committee allowing the views and concerns of the Iowa Association of REALTORS to be heard. I personally welcome all of you to Marshalltown. I've lived and worked in this city since 1980 and find it to be one of Iowa's finest communities. Iowa has been said to mean "Beautiful Land", and our state leadership has promoted Iowa as a "place to grow." To those of us who live here it is both. We are proud of our exceptionally fine public education system. We enjoy a clean environment, mobility without the hassle of traffic gridlock, and a low crime rate. Our people exemplify traditional values of family, hard work, honesty, and trust. All of this adds up to a great quality of life.

IOWA'S HOUSING SUPPLY

Information obtained through a recent research project conducted by the Real Estate Research Corporation of Chicago indicates that Iowa's housing stock is characterized by four divergences from the national housing profile. Iowa's housing consists largely of single-family detached homes--almost 80% of the housing units are in this category, compared to less than 70% for the U.S. as a whole. The housing stock is substantially older than the national average. The 1980 census reported that over 44% of Iowa's housing units were built before 1940, while the national figure was less than 26%.

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These figures show a need for increased construction across Iowa. During the 80's Iowa's low median sales price of existing housing stock has been a deterent to new home starts. However, since mid 1987, Iowa's improving economy is having a positive impact on new housing starts. I will discuss median sales prices later in my testimony.

The study further indicates that Iowa's housing stock is significantly more rural than that of the U.S. In 1980, 41.4% of Iowa's population was rural, compared to 26.2% for the U.S. And finally, homes in Iowa are more likely to be owner occupied.

PHYSICAL CONDITION

We agree with the Research Corporation that a key indicator of housing adequacy is its physical condition, with the structural adequacy of Iowa's housing stock having a direct relationship to its age. It was reported in the 1980 census that over 44% of the state's housing units were built before 1940. We further agree with the Research Corporation that in a state where new construction is not widespread and where much of its existing housing stock is of pre-World War II vintage, encouraging housing maintenance and rehabilitation is a necessary element of a comprehensive housing strategy. Without such positive action, Iowa will lose this asset and along with it, the opportunity for many first-time homebuyers to achieve their dream of home ownership.

HOUSING DEMAND

The Research Corporation's report indicated that Iowa's shifting age characteristics generally reflect national trends. Most significantly, maturing baby boomers will soon expand the number of households aged 35-44 by more than 23,529. The only other category to see an increase is households aged 45-64, which will grow by about 5,757.

Over the next five years, the number of households in Iowa aged 75 and above will increase by an estimated 8,739. The major drop (from 78,483 to 64,407) will occur in the 65-69 age category. This is due to low birth rates during the depression.

TYPES OF FINANCING

The types of financing used for existing single family homes and condominiums generally remains constant in the state of Iowa. Information taken from the the 1988 summary of the *Iowa Housing Trends, a publication of our State Association, shows that

*Iowa Housing Trends gathers data from 25 Multiple Listing Services which represent 80% of the residential home sales that occur in the state.

conventional loans were used in 40% of the transactions. FHA was used in 16%, VA in 3%, FmHA in 2%, assumptions occured in 5%, cash was used in 14%, the seller assisted with financing in 11%, and other forms of financing were used in 9% of 1988 home sales. Current mortgage interest rates range from 8.5% for Iowa Finance Authority monies, 9.5% for V.A., 10% for conventional loans, as well as reduced interest rates through the mortgage credit certificate program. There is ample money available in the state for residential mortgages.

TRENDS IN THE IOWA HOUSING MARKET

Information compiled by the Joint Center for Housing Studies of Harvard University in the The State of the Nation's Housing, indicates that between 1980 and 1987, the percentage of midwestern homeowners fell from 50.5% to 40.2% for households aged 25-29, and from 68.1% to 58.6% for households aged 30-34. As is pointed out by the Real Estate Research Corporation, these figures highlight the growing inability of younger households to break into homeownership. While I am not sure how many households a 10% drop in homeownership represents, I am astounded that in seven short years a 10% decrease could occur.

One certainly has to ask "why", such a trend has emerged, when prices for single family homes in the state of Iowa are among the lowest in the nation. The median sales price of existing single family homes and condominiums during 1986 was $47,704, in 1987 was $47,356, and $47,644 during 1988. The national median home price for the first six months of 1989 was $93,200, while Iowa's median price during the first six months was $47,750.

Clearly Iowa's low cost of housing should be a major positive factor in economic development for the state. However, to date, this has not been the case. Instead we see young households struggling harder to attain the dream of home ownership. We believe there are two major contributing causes to this paradox. First, restrictive loan requirements lessen prospective homeowners opportunities to purchase homes, and second, there is a need for additional good paying jobs in rural areas of the state.

LOAN REQUIREMENTS

We believe that the federal government can take an aggressive role in assisting more Iowans attain the American Dream of home ownership. With information provided by the Real Estate Research Corporation, it can easily be seen that Iowa has a greater than average share of rural housing and the housing is some of the

most affordable in the nation, however the rate of homeownership among the 25-34 year old age group has declined. Along with these facts we find that in Iowa, FHA loans are used in about 16% of all homes sold during 1988, while V.A. accounted for 3%, and FmHA accounted for 2%. It does not appear that these government secured loans are over utilized in an environment in which affordability is so prevalent. This is particularly true for FmHA loans, when you take into account that 41.4% of Iowa's population was rural in 1980, compared to 26.2% for the U.S.

We believe the requirements placed on these government secured loans severely restrict their use, thus restricting the potential of home ownership without practical reason. I would like to describe some of the requirements I am referring to. In order to be eligible for an FmHA loan, homes must be modest, they must be in towns with populations less than 20,000, they cannot be more than 50 years old, the main floor a ranch home cannot be greater than 1,200 square feet, a new ranch cannot be any larger than 1,150 square feet nor can it have a basement which in effect lowers its marketability, split foyers cannot be larger than 865 square feet, they must not have a fireplace, they must not have sliding glass doors, there must be counter-top on each side of the sink of at least 24 inches, there must be counter-top on the side of the stove of at least 24 inches, the required insulation must be measured through "R" values rather than take into account historical costs of utilities, and bedrooms cannot be any smaller than 8 X 10 feet. The home cannot be in the country; it must be in a town or it is not eligible for a loan. These restrictions limit financing options available thus decreasing the values of homes in Iowa's small towns. These restrictions have been quoted to me by FmHA officials over the telephone. In the past when I have requested to see a copy of their requirements for lending, they have declined.

A situation could very easily occur where a young couple, both working productively and making a modest income, could be denied a loan by FmHA because the home had a set of sliding glass doors off of the kitchen, or that one bedroom measured 8 x 9 feet rather than 8 x 10 feet or that it is in the country. The fact that this couple could afford a home in a rural area but are stopped because of "nitpicking" requirements does not send a clear message to prospective homeowners from the federal government on the value of home ownership. If changes were made to relax some of these requirements, the percentage of FmHA loans in the state of Iowa would increase dramatically.

I have been in contact with Ms. Carolyn Holcomb, who is a branch manager for WestAmerican Mortgage Co., in Davenport Iowa. Davenport is a city on the border of Iowa and Illinois, and Ms. Holcomb has pointed out to me that there are conflicting requirements for FHA loans depending on which state you are in. I've listed a few examples for your information. Iowa requires all houses to have R-19 insulation, Illinois does not. Illinois won't accept a basement well, Iowa will. Iowa will take property with commercial zoning, Illinois will not. Iowa appraisers are insistent about "positive grade" away from basements and

resodding not seeding disturbed areas, this is not of concern in Illinois. Iowa will allow knob and tube wiring, Illinois will not. In Iowa a tiny bit of peeling or chipped paint is an issue, in Illinois it isn't. Iowa's FHA further requires that if a rural home has a well, and if that home is even close to rural water, that the home must be hooked up to that rural water. This is the case even if the well water meets the chemical and bacterialogical requirements of the State Health Department. The minimum cost for such a procedure is at least $1,500.

A further FHA requirement disallows financing of existing appliances as part of the sale of the home because appliances are considered personal property which can wear out or be removed from the premise. This requirement precludes built-in dishwashers, stoves, ovens, refrigerators, and so forth. These items must then be nogotiated seperately between the parties. This may be done by a bill of sale or by an agreement of the parties that states that these items are of no value. Further, the parties are required by FHA to sign a statement that they do not have side agreements with regard to the purchase of the property. The list of conflicts goes on and on, and is compounded by each individual appraiser's interpretation of what they think the FHA requirements are, as well as the individual interpretation of each FHA office.

The same conclusions regarding "nitpicking" can be made regarding FHA financing as well as FmHA financing. If the requirements for the homes were safeness and sanitation, rather than whether the paint is chipped or not, more monies would be available for additional home purchasers. Further, we believe that home purchasers should be allowed to participate in some type of sweat equity program as a part of a buyers acquisition cost on certain properties. Perhaps a governmental agency, national, state or local, could help provide supplies. Or private concerns could assist in materials or labor in exchange for tax credits. It would be important to keep administrative costs to a minimum. While FHA is an excellent housing tool for millions of home purchasers, we believe the program can be enhanced.

ECONOMIC DEVELOPMENT

The current thrift bailout has brought about much of the restrictive loan requirements and "nitpicking" discussed in the preceding paragraphs. There has been an increased demand by lenders to document and verify all aspects of a borrowers character, credit capacity, and collateral in an effort to make loans more secure. Yet, after all this careful screening, the security of a job is most important. When a borrower loses his or her job, foreclosures are sure to follow.

The thrift problems are being blamed on a combination of things such as bad appraisals and over zealous lending practices. However, some of what has happened to the thrifts can be blamed on optimistic attitudes and the willingness to take calculated risks for rewards. After all, this county has been built on a risk/reward system.

In my opinion the real problem is and has been a spotty national economy. During the 80's we have had a "chicken pox" economy, with some areas of the nation looking great and others scarred by unemployment (This phenomenon has even existed within Iowa where cities such as Des Moines, Iowa City, Ames, and Mount Pleasant have faired well in the 80's.). A nation the size of the U.S. cannot hope to maintain a strong economy in all geographic areas at all times when we impose grain embargos, as we did in 1980, or when we are faced with stiff pricing competition from foreign oil and manufactured goods.

Therefore, I don't feel than an increased amount of lender required documentation or verification can insure against unforeseen changes in a world economy. Further to make housing available in an area without good paying jobs is simply a futile exercise bound for disaster.

To make matters worse for the rural areas, jobs have lured people away to the metropolitan centers. The Marshalltown Times Republican, reported an A.P. story in their August 5, 1989, edition which quoted the census bureau as saying that nearly nine-tenths of the population growth is occurring in metropolitan areas. The census study further found that 86% of the population growth since 1980 has occurred in the 282 officially designated metropolitan areas across the country and that almost half of our population is in 37 of these areas.

This pattern of metropolitan dominance has been common since the era of the Great Depression according to the recent census Bureau Report. Therefore we feel that a conscious effort must be made to reverse this trend that has continued for the last 50 years. This effort should not be considered a short term goal but rather one that could take many decades to fully accomplish. Such a goal would appear to be in the best interest of future generations of Americans.

It seems inconceivable that a country that occupies so much space on our globe would need to house almost half of its population in 37 major urban areas. I completely agree with Peter Drucker in his article in the August 6th edition of the Des Moines Register, that communications technology with FAX machines, computers and tele-conferencing networks, along with good transportation systems, indicate that it is no longer necessary for the vast majority of jobs to be in cities and their suburbs.

Whatever can be done, should be done by federal, state and local governments to educate and sell the benefits of locating in rural areas to business and industry. There will always be arguements against developing rural areas because of a lack of a sizable workforce. We believe that careful planning and implementation, along with the fact that many city dwellers, if given the opportunity would love to live in a more relaxed atmosphere, could make rural development extremely successful.

LEGISLATIVE PROPOSALS

Another issue that may impact rural housing are current proposals that would sharply limit tax-deferred exchanges of "like-kind" investment real estate. Presently, taxpayers who swap like-kind income producing property can continue to defer paying taxes on any gain they might incur from the exchange as long as they hold the property they receive. Section 1031 of the Internal Revenue Code allows a taxpayer to defer tax payments on that gain until he or she sells the property received in the exchange. Establishing limitations on like-kind exchanges could reduce activity in farms, and promote the re-allocation of investment capital into other assets.

While I've mentioned the most important aspects of assisting rural housing, there should be other alternatives explored. The use of IRA funds for costs associated with home ownership should not be overlooked and should be given serious consideration. All states should examine their public pension funds to determine if the state's monies are committed to housing goals. At the very least we must be creative, aggressive, and urge cooperation from all governmental entities as well as the private sector, to reach the local, state, and national housing goals that we hold dear.

IN CONCLUSION

We believe that the right of private ownership of real property is the foundation of our free enterprise system; we dedicate ourselves to the achievement of that right by every citizen. Real property ownership is a leading contributor to a sense of pride, to community responsibility, and to family well being. Each citizens right to share in the privilege of real property ownership must have a preferred place in our system of values and must be a state and national goal. We pledge to assist all citizens regardless of socio-economic background in achieving that goal.

7

Attachment "A": Iowa Housing Trends 1987 Summary
Attachment "B": Iowa Housing Trends 1988 Summary
Attachment "C": Summary of first half of 1989 Housing Trends

ATTACHMENT "A"

IOWA HOUSING TRENDS

volume 5, number 1 january, 1988

IOWA REPORT - YEAR END SUMMARY

Median Sales Price of Existing Single Family Homes & Condominiums

	1986	1987
January	$45,993	$46,485
February	43,695	48,485
March	47,395	48,059
April	51,192	49,099
May	50,857	49,323
June	49,198	50,184
July	49,799	48,103
August	47,642	47,597
September	46,015	46,887
October	46,006	42,754
November	45,467	44,433
December	46,557	44,463
Year Totals	**47,704**	**47,356**

We welcome you to the 1987 Year End Summary of the *Iowa Housing Trends* newsletter. The *Iowa Housing Trends* is a quarterly publication of the Iowa Association of REALTORS. Participating local boards of REALTORS, through their Multiple Listing Services, are the primary sources for information on existing home sales. These reports account for 80 percent of Iowa's total transactions of existing single family homes and condominiums. These reports do not cover every transaction across the state, but do offer a strong representative sample of Iowa's housing market.

This newsletter is divided into three sections, the first of which will survey statewide data, the second reviews regional information, and the third reports individual Multiple Listing Services information for participating boards. We hope that you find the information provided useful to your business in planning, marketing, location analysis, and market share studies.

As Iowa's overall economy changes, so does the condition of its housing market. This is especially true for the state's resale housing market, which fluctuates rapidly in response to economic changes. The Iowa Association of REALTORS developed the *Iowa Housing Trends* to keep you abreast of the fluctuations within Iowa's housing market. We hope you find the information provided in the *Iowa Housing Trends* useful in your everyday business transactions as well as long term planning. For more information concerning any aspect of the *Iowa Housing Trends* please contact the Iowa Association of REALTORS.

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515 244 2294 in Des Moines 1 800 532 1515 Statewide.

TABLE 1

Quarterly Median Home Price: $47,356

1987 Year Totals

Price Brackets	Number of Sales	Percentage of Monthly Total
19,000 & Under	2041	11.6%
20,000 - 29,999	2006	11.4%
30,000 - 39,999	2725	15.4%
40,000 - 49,999	2796	15.8%
50,000 - 59,999	2560	14.5%
60,000 - 69,999	1739	9.9%
70,000 - 79,999	1133	6.4%
80,000 - 89,999	808	4.6%
90,000 - 99,999	513	2.9%
100,000 - 119,999	572	3.2%
120,000 - 139,999	365	2.1%
140,000 - 159,999	173	0.9%
160,000 - 179,999	104	0.6%
180,000 - 199,999	40	0.2%
200,000 - 249,999	54	0.3%
250,000 & Over	29	0.2%
	17,658	100.0%

TABLE 2 - STATEWIDE MARKET TRENDS*

Median Time On Markets: 83 Days

Time on Market Before Sales		Types of Financing	
Less Than 30 Days	23%	Conventional	38%
31 - 60 Days	17%	FHA	17%
61 - 90 Days	15%	VA	4%
91 - 120 Days	11%	FmHA	1%
Over 120 Days	34%	Assumption	5%
		Cash	14%
		Seller	14%
		Other	7%

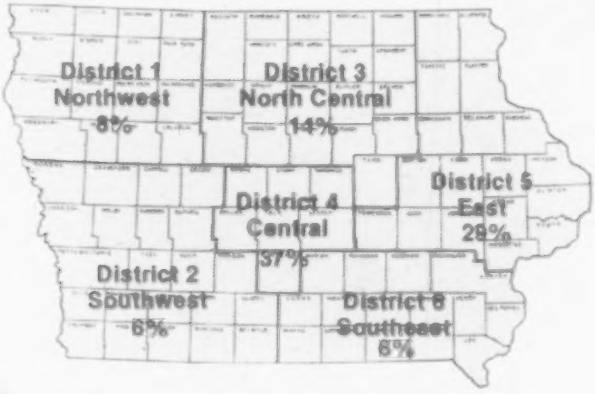
*Information is compiled on the basis of participating local boards of REALTORS that respond to the "Market Trends" portion of the survey.

STATE TOTALS

	Median Price 1986	Median Price 1987	Sales 1986	Sales 1987	Listing 1986	Listing 1987
January	$45,993	46,485	777	798	13,241	10,783
February	43,695	48,485	896	1,130	13,111	12,047
March	47,395	48,059	1,039	1,609	12,952	13,007
1st Quarter	**45,101**	**47,893**	**2,712**	**3,537**	**13,101**	**11,945**
April	51,192	49,099	1,652	1,579	11,031	13,298
May	50,857	49,323	1,551	1,605	13,701	14,458
June	49,198	50,184	1,687	1,926	14,000	13,857
2nd Quarter	**50,352**	**49,588**	**4,890**	**5,110**	**12,910**	**13,871**
July	49,799	48,103	1,672	1,832	13,819	15,576
August	47,642	47,597	2,005	1,529	13,165	13,859
September	46,015	46,887	1,943	1,613	16,925	13,991
3rd Quarter	**47,733**	**47,544**	**5,620**	**4,974**	**14,636**	**14,475**
October	46,006	42,754	1,574	1,449	14,479	13,999
November	45,467	44,433	1,351	1,386	10,160	12,846
December	46,557	44,463	990	1,202	9,108	11,797
4th Quarter	**45,952**	**43,792**	**3,915**	**4,037**	**11,249**	**12,880**
Yearly Totals	**47,704**	**47,356**	**17,137**	**17,658**	**12,974**	**13,293**

REGIONAL ACTIVITY

Percentage of Single Family Homes Sales by District



District 1
Greater Sioux City, Spencer, Storm Lake, Cherokee

1987 Median Price:	**$39,125**	**Total Sales:**	1,458
1st Quarter:	$37,832	1st Quarter Sales:	306
2nd Quarter:	$40,713	2nd Quarter Sales:	406
3rd Quarter:	$41,543	3rd Quarter Sales:	427
4th Quarter:	$34,906	4th Quarter Sales:	319
District Share:	8%	**Unsold Inventory Index:**	10.6

District 2
Carroll, Greater Council Bluffs, Montgomery County, Cherokee

1987 Median Price:	**$41,105**	**Total Sales**	1,142
1st Quarter:	$39,584	1st Quarter Sales:	256
2nd Quarter:	$41,777	2nd Quarter Sales:	298
3rd Quarter:	$42,768	3rd Quarter Sales:	324
4th Quarter:	$39,199	4th Quarter Sales:	264
District Share:	6%	Unsold Inventory Index:	6.6

District 3
Greater Mason City, Waterloo/Cedar Falls, Fort Dodge

1987 Median Price:	$34,797	Total Sales:	2,208
1st Quarter:	$33,055	1st Quarter Sales:	331
2nd Quarter:	$37,480	2nd Quarter Sales:	611
3rd Quarter:	$35,147	3rd Quarter Sales:	653
4th Quarter:	$32,281	4th Quarter Sales:	613
District Share:	14%	Unsold Inventory Index:	11.5

District 4
Ames, Boone County, Greater Des Moines, Marshalltown, Newton

1987 Median Price:	**$54,229**	**Total Sales:**	6,526
1st Quarter Median Price:	$54,856	1st Quarter Sales:	1,605
2nd Quarter Median Price:	$55,917	2nd Quarter Sales:	1,928
3rd Quarter Median Price:	$54,107	3rd Quarter Sales:	1,749
4th Quarter Median Price:	$50,221	4th Quarter Sales:	1,244
District Share:	37%	**Unsold Inventory Index:**	8.4

District 5
Cedar Rapids, Clinton, Greater Davenport, DeWitt, Dubuque, Iowa City, Muscatine

1987 Median Price:	**$51,165**	**Total Sales:**	5,177
1st Quarter Median Price:	$49,460	1st Quarter Sales:	856
2nd Quarter Median Price:	$52,653	2nd Quarter Sales:	1,545
3rd Quarter Median Price:	$51,896	3rd Quarter Sales:	1,484
4th Quarter Median Price:	$49,458	4th Quarter Sales:	1,292
District Share:	29%	**Unsold Inventory Index:**	7.0

District 6
Burlington, Fairfield, Keokuk, Oskaloosa, Ottumwa

1987 Median Price:	**$31,432**	**Total Sales:**	1,147
1st Quarter Median Price:	$29,852	1st Quarter Sales:	183
2nd Quarter Median Price:	$31,799	2nd Quarter Sales:	322
3rd Quarter Median Price:	$32,934	3rd Quarter Sales:	337
4th Quarter Median Price:	$30,672	4th Quarter Sales:	305
District Share:	6%	**Unsold Inventory Index:**	15.0

IOWA ASSOCIATION OF REALTORS 1987 RESIDENTIAL SALES DATA

BOARD	1st Quarter Sales 1987	2nd Sales 1987	3rd Sales 1987	4th Sales 1987	Total Sales 1987	Total 1986
Ames	70	181	160	102	513	482 +
Bluegrass	24	22	37	31	144	118 +
Boone County	57	73	79	52	261	229 +
Burlington	67	124	108	94	393	414
Carroll County	38	24*	33	34	129	141
Cedar Rapids	394	673	625	484	2176	2076
Cherokee	17	NA	30	22	69 +	NA
DeWitt	11	18	28	24	81	40 +
Dubuque	127	203	268	197	795	735
Fairfield	26	39	39	34	138	157
Fort Dodge	87	110	87	117	401	NA
Greater Council Bluffs	186	253	260	204	903	719 +
Greater Davenport	248	417	530	451	1646	1411
Greater Des Moines	1404	1553	1337	995	5289	5501
Greater Mason City	75	135	117	101	438	541
Greater Sioux City	295	359	369	287	1277	1031 +
Iowa City	84*	296	244	156	780 +	NA
Keokuk	22	46	56	36	160	100 +
Marshalltown	47	118	112	84	361	317
Muscatine	69	106	71	63	303	372
Newton	17*	52	71	53	193 +	194
Oskaloosa	31	50	38	49	168	164
Ottumwa	45*	79	101	105	331 +	284
Storm Lake	19	46	35	36	136	140
Waterloo/Cedar Falls	128*	377	467	415	1393 +	1216

1st Quarter 1987 Median Price	2nd Price	3rd Price	4th Price	1987 Median Price	1987 Median Days on Mkt.	1987 Unsold Inventory Index
63,499	65,131	60,644	58,157	61,969	55	8.9
22,499	26,666	25,713	20,713	23,570	120 +	24.1
22,777	28,528	28,635	30,666	28,020	69	11.6
34,166	37,999	40,599	34,443	36,823	120 +	12.1
44,999	46,999	45,624	45,999	45,799	70	17.5
48,624	49,265	50,044	48,094	49,137	120 +	9.5
19,499	NA	29,999	26,249	26,388	56	24.5
36,999	29,999	36,363	29,999	35,576	120 +	16.1
44,523	45,394	45,108	42,272	44,419	63	8.9
42,856	46,817	39,999	36,666	42,343	96	19.9
31,874	34,230	31,135	27,962	31,337	120 +	17.6
42,749	42,874	43,908	41,028	42,780	47	5.4
50,394	52,170	54,761	52,540	52,667	78	8.9
55,928	56,891	55,926	52,074	55,604	63	8.0
38,332	41,749	39,047	37,221	39,220	98	15.4
38,332	40,338	42,240	34,999	39,222	96	10.6
64,999	66,378	60,540	63,124	63,985	86	9.1
19,999	25,832	32,856	21,999	27,096	120 +	29.7
39,166	42,999	46,249	36,388	36,388	120 +	8.3
45,999	43,332	45,999	43,332	44,273	93	16.0
41,249	48,332	34,545	36,249	38,264	75	10.3
22,142	24,374	27,999	32,082	26,584	113	15.9
20,555	24,721	27,173	30,999	26,943	77	13.6
38,999	42,777	41,666	44,999	40,226	81	15.2
30,805	36,874	35,216	32,285	34,450	51	10.1

* only two of the three months reported.

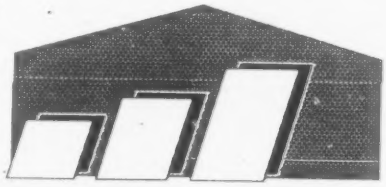
\+ sales reported for the year incomplete. Not every month reported.

ATTACHMENT "B"

IOWA ASSOCIATION OF REALTORS®

Housing TRENDS

Year End 1988 ■ Vol. 6 - No. 1



Iowa Report - 1988 Year End Summary

In 1988 20,129 single family homes and condominiums were sold, up 13% from 1987.

The Median Sales price for 1988 was $47,644, up 1% from 1987. Home prices remain stable throughout the state.

The median days on the market for 1988 was 67 days, a decrease of 19% compared to 1987.

The types of financing most commonly used through the state were conventional, FHA, Cash and Seller Financing.

Facts At A Glance

Sales: $20,129
Median Time On Market: 67 Days
Median Price: $47,644
Average Listing: $12,605

Published by the Iowa Association of REALTORS — 4900 Oakridge Drive, Des Moines, Iowa 50310
Permission to reprint this material must be requested through Maria Callas, Editor
515-244-2294 in Des Moines — 1-800-532-1503 Statewide

Quarterly Median Home Price: $47,644

Price Brackets	Number of Sales	Percentage of Monthly Total
19,999 & Under	2312	11.49%
20,000 - 29,999	2365	11.75
30,000 - 39,999	3036	15.08
40,000 - 49,999	3075	15.28
50,000 - 59,999	2758	13.70
60,000 - 69,999	1979	9.83
70,000 - 79,999	1261	6.26
80,000 - 89,999	961	4.77
90,000 - 99,999	615	3.06
100,000 - 119,999	705	3.50
120,000 - 139,999	452	2.25
140,000 - 159,999	261	1.30
160,000 - 179,999	121	0.60
180,000 - 199,999	82	0.40
200,000 - 249,999	80	0.40
250,000 & Over	66	0.30
	20,129	100%

*Statewide Market Trends**

Medain Time On Market: 67 Days

Time On Market Before Sales

Less Than 30 days	28%
31-60 Days	17%
61-90 Days	15%
91-120 Days	11%
Over 120 Days	29%

Types of Financing

Conventional	40%
FHA	16%
VA	3%
FmHA	2%
Assumption	5%
Cash	14%
Seller	11%
Other	9%

*Information is commppiled on the basis of participating local boards of REALTORS that resppond to the "Market Trends" portion of the survey.

STATE TOTALS

	Median Price 1987	Median Price 1988	Sales 1987	Sales 1988	Listing 1987	Listing 1988
January	$46,485	$45,959	798	906	$10,783	$12,167
February	48,485	44,648	1,130	1,208	12,047	11,856
March	48,059	46,299	1,609	1,609	13,007	12,009
1st Quarter	**47,893**	**45,661**	**3,537**	**3,723**	**11,945**	**12,010**
April	49,099	46,771	1,579	1,680	13,298	13,844
May	49,323	46,077	1,605	2,011	14,458	13,789
June	50,184	49,336	5,110	5,930	13,8711	14,618
2nd Quarter	**49,588**	**48,845**	**1,832**	**1,803**	**15,576**	**13,095**
July	48,103	48,845	1,832	1,803	15,576	13,095
August	47,597	49,659	1,529	2,281	13,859	13,427
September	46,887	47,509	1,613	1,712	13,991	13,549
3rd Quarter	**47,544**	**48,806**	**4,974**	**5,796**	**14,475**	**13,357**
October	42,754	47,948	1,449	1,720	13,999	11,215
November	44,433	46,521	1,386	1,531	12,846	11,738
December	44,463	45,847	1,202	1,429	11,797	9,958
4th Quarter	**43,792**	**46,862**	**4,037**	**4,680**	**12,880**	**10,970**
Yearly	47,704	47,644	17,658	20,129	13,293	12,605

REGIONAL INFORMATION FOR HOUSING TRENDS

District 1

Greater Sioux City, Storm Lake and Cherokee

Median Time on the Market: 76 Days

1988 Median Price: $37,323

1st Quarter	35,241
2nd Quarter	38,519
3rd Quarter	38,011
4th Quarter	36,665

Total Sales 1988: 1555

1st Quarter	309
2nd Quarter	475
3rd Quarter	419
4th Quarter	356

Types of Financing

Conventional	29%
FHA	23
VA	4
FmHA	1
Assumption	10
Cash	15
Seller	13
Other	5

District 2

Carroll, Greater Council Bluffs and Cherokee

Median Time on the Market: 51 Days

1988 Median Price: $39,421

1st Quarter	37,089
2nd Quarter	34,768
3rd Quarter	42,058
4th Quarter	39,744

Total Sales 1988: 1,071

1st Quarter	223
2nd Quarter	282
3rd Quarter	283
4th Quarter	283

Types of Financing

Conventional	30%
FHA	24
VA	3
FmHA	-
Assumption	7
Cash	17
Seller	17
Other	2

District 3

Greater Mason City, Waterloo/Cedar Falls, Fort Dodge

Median Time on the Market: 71 Days

1988 Median Price: $34,430

1st Quarter	32,560
2nd Quarter	34,200
3rd Quarter	36,013
4th Quarter	34,116

Total Sales 1988: 2481

1st Quarter	412
2nd Quarter	737
3rd Quarter	710
4th Quarter	622

Types of Financing

Conventional	31%
FHA	18
VA	3
FmHA	1
Assumption	4
Cash	22
Seller	16
Other	5

District 4

Ames, Boone County, Greater Des Moines, Marshalltown and Newton

Median Time on the Market: 58 Days

1988 Median Price: $54,302

1st Quarter	53,058
2nd Quarter	56,223
3rd Quarter	54,012
4th Quarter	53,053

Total Sales 1988: 7290

1st Quarter	1621
2nd Quarter	2181
3rd Quarter	1964
4th Quarter	1524

Types of Financing

Conventional	38%
FHA	16
VA	4
FmHA	2
Assumption	6
Cash	13
Seller	11
Other	10

District 5

Cedar Rapids, Clinton, Greater Davenport, DeWitt, Dubuque, Iowa City and Muscatine

Median Time on the Market: 69 Days

1988 Median Price: $52,225

1st Quarter	50,064
2nd Quarter	52,135
3rd Quarter	53,299
4th Quarter	52,268

Total Sales 1988: 6489

1st Quarter	936
2nd Quarter	1850
3rd Quarter	2076
4th Quarter	1627

Types of Financing

Conventional	56%
FHA	12
VA	4
FmHA	1
Assumption	4
Cash	7
Seller	5
Other	11

District 6

Burington, Fairfield, Keokuk, Oskaloosa and Ottumwa

Median Time on the Market: 79 Days

1988 Median Price: $31,745

1st Quarter	28,181
2nd Quarter	32,886
3rd Quarter	33,967
4th Quarter	29,817

Total Sales 1988: 1243

1st Quarter	226
2nd Quarter	405
3rd Quarter	344
4th Quarter	268

Types of Financing

Conventional	45%
FHA	9
VA	2
FmHA	1
Assumption	4
Cash	18
Seller	19
Other	2

IOWA ASSOCIATION OF REALTORS 1988 RESIDENTIAL SALES DATA

Board	1st Quarter Sales 1988	2nd Quarter Sales 1988	3rd Quarter Sales 1988	4th Quarter Sales 1988	Total Sales 1988	Total Sales 1987	1st Quarter 1988 Median Price	2nd Quarter 1988 Median Price	3rd Quarter 1988 Median Price	4th Quarter 1988 Median Price	1988 Median	1987 Median	1988 Days
Ames	56	124	192	126	508	313	$51,674	$57,082	$60,967	$61,817	$59,276	$61,696	47
Bluegrass	42	47	40	43	172	144	$28,332	$21,817	$37,499	$19,999	$24,820	$23,570	120+
Boone County	44	52	48	58	202	161	$33,332	$31,113	$25,454	$32,856	$30,570	$28,020	78
Burlington	64	123	116	96	399	353	$33,845	$36,904	$35,199	$39,410	$36,380	$36,823	83
Carroll County	45	33	35	39	152	129	$44,999	$47,499	$42,499	$47,499	$45,516	$45,799	70
Cedar Rapids	412	669	645	692	2418	2176	$50,596	$46,337	$52,593	$52,817	$51,471	$49,137	NA
Cherokee	12	43	26	12	93	69+	$28,332	$20,999	$24,999	$24,999	$26,249	$26,388	107
DeWitt	14	32	38	25	109	81	$39,999	$39,999	$37,999	$37,726	$38,749	$35,576	96
Dubuque	104	234	271	183	792	795	$43,999	$45,713	$47,588	$44,031	$45,837	$44,419	48
Fort Dodge	60	128	167	110	465	401	$24,544	$34,544	$34,463	$33,570	$32,551	$31,337	102
Gr. Council Bluffs	165	237	221	210	833	903	$36,517	$39,999	$42,570	$41,999	$39,833	$42,780	45
Gr. Davenport	324	483	673	550	2210	1446	$49,660	$49,786	$52,261	$50,749	$50,751	$52,667	66
Gr. Des Moines	1457	1845	1528	1212	6042	289	$51,451	$58,222	$55,568	$54,722	$55,967	$55,604	53
Gr. Mason City	98	144	138	101	481	438	$35,908	$39,249	$39,443	$34,999	$37,529	$39,220	106
Gr. Sioux City	283	433	370	315	1401	277	$35,701	$39,883	$38,591	$37,806	$38,246	$39,222	75
Iowa City	60+	340	365	131+	895+	780+	$62,062	$66,208	$62,965	$72,618	$65,802	$63,985	79
Keokuk	33	64	48	41	186	183	$20,832	[illegible]	$31,110	$28,124	$28,647	$27,036	NA
Marshalltown	57	116	129	102	403	351	$38,499	$40,454	$40,713	$35,554	$39,089	$44,273	93
Muscatine	85	125	113	75+	398+	303	$43,823	$44,037	$44,939	$47,332	$44,875	$38,204	86
Newton	38	52	81	49	222	193+	$35,713	$34,117	$37,954	$24,999	$36,036	$26,514	51
Oskaloosa	25	51	42	37	155	168	$27,499	$30,332	$26,428	$28,141	$28,151	$26,013	108
Ottumwa	108	133	115	91	447	331+	$26,363	$26,612	$26,135	$20,282	$25,158	$26,943	66
Storm Lake	37	59	49	43	188	136	$35,454	$36,332	$39,232	$36,332	$36,963	$40,226	77
Waterloo Cedar Falls	275	485	421	427	1608	1220+	$32,114	$33,136	$35,576	$33,999	$33,782	$34,450	49

*Sales Reported incomplete

ATTACHMENT "C"

MEDIAN PRICE

1989 January - June Median Price: $47,750
1988 January - June Median Price: $47,313

Percentage increase of: 1%

SALES

1989 January - June Sales: 9,318
1988 January - June Sales: 9,653

Percentage decrease of: 3.5%

LISTINGS

1989 January - June Average Listings: 11,589
1988 January - June Average Listings: 13,047

Percentage decrease of: 11%

TIME ON MARKET

1989 January - June Median Days on Market: 63 Days
1988 January - June Median Days on Market: 78 Days

Percentage decrease of: 19%

TYPES OF FINANCING USED:
Period covered is January - June

	1989		1988
Conventional	37%	Conventional	41%
FHA	16%	FHA	17%
VA	4%	VA	3%
FmHA	3%	FmHA	2%
Assumption	6%	Assumption	5%
Cash	14%	Cash	13%
Seller	11%	Seller	11%
Other	9%	Other	8%

SUBMITTED BY MS. MARCIA HEGGEN:

MMSC AGRICARE PROGRAM
(THE IOWA AGRICULTURAL HEALTH AND SAFETY SERVICE PILOT PROJECT)

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Peg Zenk, Farm Industry News May/June 1989, St. Paul, MN.

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Dan Looker, Des Moines Register, March 26, 1989, Des Moines, IA.

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Jody Garlock, Iowa REC News, February 1989, Urbandale, IA.

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MMSC AgriCare

MARSHALLTOWN
MEDICAL & SURGICAL
CENTER

The mention of farming brings a vision of carefully cultivated crops, grazing livestock, and family generations working side by side to produce the nation's food supply. Your farm and your family are a part of this picture, and as such you're well aware of the many positive aspects of life "on the farm."

Farmers today are also aware that their occupation is among the most hazardous in the U.S. The potential dangers of farm machinery are ever present, and in recent years, chemicals used in crop production, pollutants from livestock operations, and the declining quality levels of many farm water supplies have emerged as less viable, but equally threatening hazards.

The Marshalltown Medical & Surgical Center AgriCare program seeks to address these many concerns. Our goal is to prevent diseases and accidents associated with agriculture by providing comprehensive occupational health services to you and your family. A further objective is to advance your rural health concerns at the local and state levels.

This brochure explains Agricare, and how you and your family may take advantage of the services offered. I welcome your response and participation.

Please use the postage-paid return card if you wish additional information or if you would like to enroll for any of the services.

Marcia A. Heggen, BSN, MPH
Program Director

Marcia A. Barrett, RN
Program Assistant

THE AGRICARE CLINIC

The AgriCare Clinic and offices are located at 9 North 4th Avenue. Clinic services are generally arranged by appointment. Clinic staff is available by phone at (515) 753-8850.

MEMBER SERVICES

Memberships in AgriCare are available on a 2-year basis and provide:

AgriCare Clinic

- Occupational health history and nursing assessment
- Spirometry (lung function test)
- Audiometry (hearing screening)
- Cholesterol level
- Cholinesterase levels
- Skin cancer check
- Vision screening
- Fitting and instruction in the use of personal protective equipment
- 10% Discount available for a number of MMSC Wellness classes (including exercise, stress management, weight control and stop smoking)
- Discounts for MMSC Emergency Room visits for farm-related accidents

Educational Opportunities

- Four programs each year on specific agricultural health and safety topics

Farm Site Evaluation

- Industrial hygiene services are available to evaluate the farm and agribusiness environment to determine the potential for health risk. The evaluation will also include practical recommendations for risk reduction.

NON-MEMBER SERVICES

Individuals, and adult and youth groups wishing to enroll in selected portions of AgriCare may choose among the programs, educational offerings, farm site evaluations, cholinesterase screenings, and information regarding personal protection and protective equipment.

FEES

Membership covers a 2 year period. Non-member fees are based on the intensity of services requested. General informational programs are available to interested groups at no cost.

SERVICE AREA

AgriCare is available to farmers and agriculture related business and industry in Marshall and the surrounding five counties.

AGRICARE is a University of Iowa affiliated program, based at and managed by Marshalltown Medical & Surgical Center. AgriCare was developed with technical and educational assistance from the University of Iowa's Iowa Agricultural Health and Safety Service Project.

AgriCare works cooperatively with county extension services, schools, health and human service agencies, agricultural groups and organizations, and community business.

Serving in an advisory capacity to the MMSC AgriCare Program are Dennis I. Mallory, D.O., Michael F. Miriovsky, M.D., Ron C. Terrill, M.D., and David L. Thomas, M.D.

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OVERVIEW

The Iowa Agricultural Health and Safety Service Pilot Project (IA-HASSPP)

BACKGROUND

The 1987 Iowa legislature appropriated $60,000 per year for a two year period to develop a model agricultural health and safety prevention program in Iowa. The intent of the Iowa legislation was that the Iowa program be modeled after the Swedish program, Lantbrukshalsan, which is the first in the world to provide comprehensive occupational health and prevention services specifically to the farmer and farm family.

Objectives of the Iowa Agricultural Health and Safety Pilot Project (IA-HASSP)

1) To make occupational health and safety services accessible to the family farm; 2) To evaluate the program for effectiveness (lowered risks), cost/effectiveness and public acceptance; 3) To investigate ways that this program may be perpetuated by the private sector; 4) To facilitate future development of a data base for agricultural health research; 5) To develop ways in which the University may help facilitate and support development of and maintenance of other agricultural health programs through the private sector within other counties.

IA-HASSPP MODEL

This program is based on two-tiered level of service. First level service is offered free or at low cost to all farm families in the country. First level service provides basic educational programs and on-the-farm health and safety hazard analyses (upon request by the farmer and/or physician) when there is or has been an illness or injury and/or imminent danger of same.

The second level of service is by membership (i.e., $100 per farm). This includes occupational medical services, industrial hygiene and safety, and education.

Two hospitals have been selected to initiate pilot projects, Sartori Hospital of Cedar Falls and Marshalltown Medical Surgical Center. Sartori is an urban hospital providing outreach into its rural service area. Marshalltown Medical Surgical Center is a medium-large rural hospital providing care to its rural populations.

These hospital based clinics are using the community health promotion model (Figure 1) to establish and maintain sense of community ownership and support.

EVALUATION

The evaluation process includes a pre and past measure of knowledge, attitudinal and behavioral changes about health and safety issues on member farms and the county farm population. Acceptance by the farm population will also be assessed. In economic cost-benefit analysis will also be performed to identify the project's impact on the hospital.

INVOLVEMENT OF THIRD-PARTY PAYOR

For assurance of more long-term involvement and extension of this model program, we feel that this type of program should be underwritten by either an HMO service or an insurance company. For an HMO, this service could be a part of the services offered with the program. Not only would such a service provide good public relations and a marketing edge, but also could, in fact, reduce claims on the HMO, making the service economically feasible.

Such a program could likewise be sponsored by an insurance company and insurance premiums could be modified if persons were members of such an organization and/or if on the farm health and safety inventory dictated that some farms were safer and provided less risk than certain other farms. In other words, there should be an economic incentive for having this program and being a part of it.

RESEARCH PROSPECTIVE

It is envisioned that pilot program could be expanded into a long-term ongoing study for epidemiological research on health and safety in agriculture. Such an opportunity for studies could be funded with federal sources, such as NIEHS or CDC. At the same time this model program will provide a prototype to spin off for other programs to be established in counties or groups of counties where there would be a supporting third-party payor and a supporting physician population.

Figure 2

THE IOWA AGRICULTURAL HEALTH AND SAFETY SERVICE PILOT

IA-HASSP

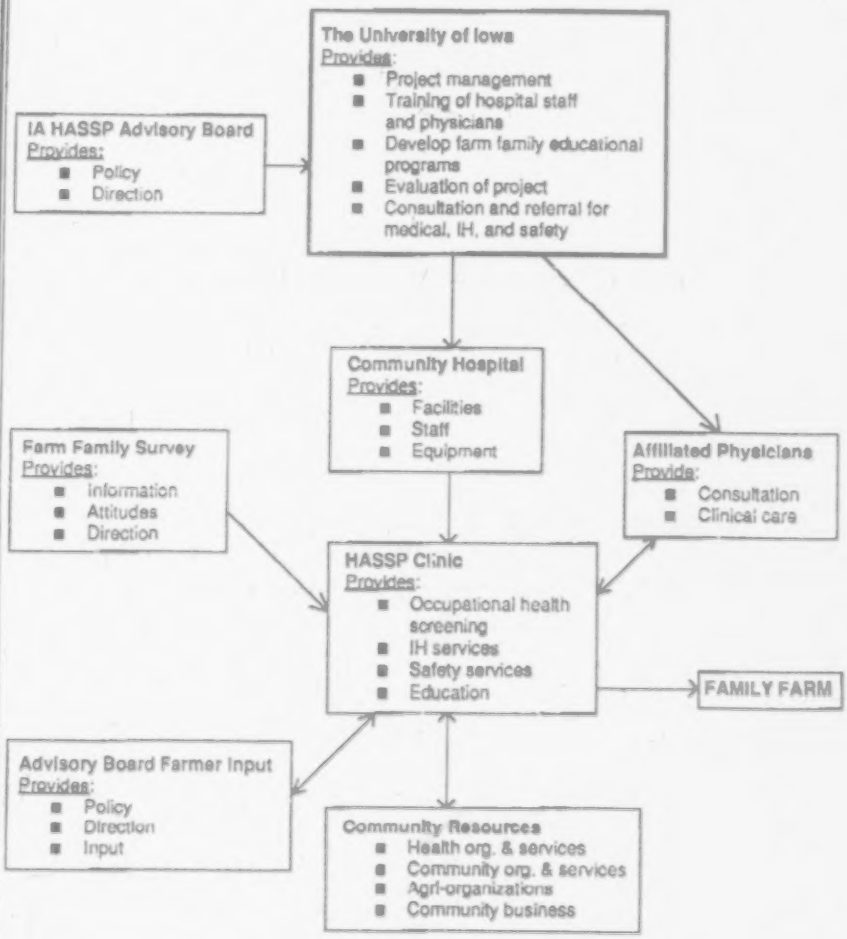
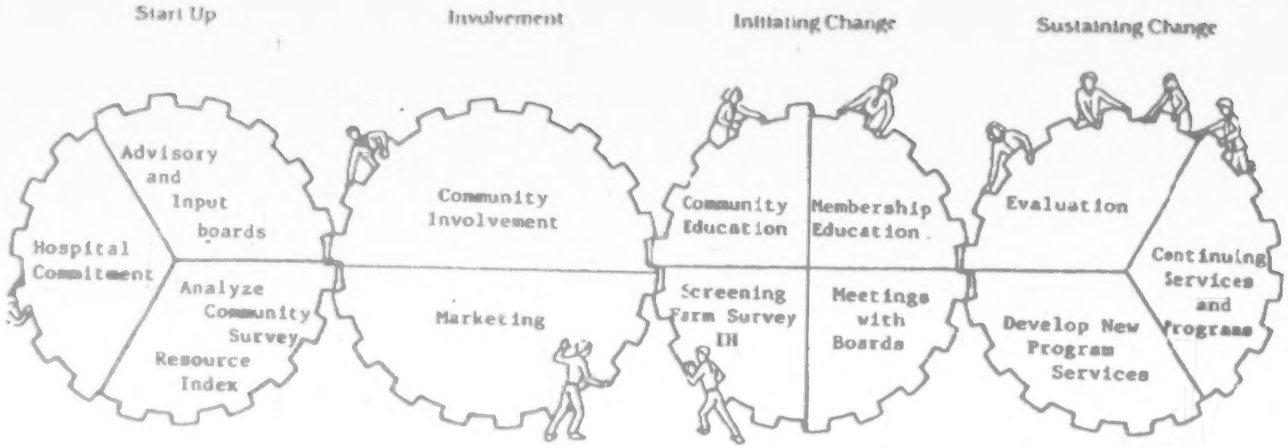


Figure 1

IA-HASSPP



Community Health Promotion Model

MMSC In Pilot Program For Ag Health, Safety

Omar Voran, administrator of Marshalltown Medical & Surgical Center, announced this Tuesday morning that MMSC will begin to "plow some new ground" in the field of agricultural health and safety service and research, in a two-year pilot project with the University of Iowa.

Using an approach pioneered in Sweden and $60,000 in seed money from the Iowa Legislature, the University of Iowa is establishing the pilot project at MMSC and at Sartori Memorial Hospital in Cedar Falls.

The two were chosen from among eight hospital-finalists as sites for the Iowa Agricultural Health and Safety Service Pilot Project (IA-HASSPP), according to Kelley J. Donham, IA-HASSPP director and a professor at the UI Institute of Agricultural Medicine and Occupational Health.

The two-year project will assist the hospitals by providing consultation and special training for physicians, nurses, physical therapists and health educators in the treatment, education and prevention of agriculture-related illnesses and accidents. The UI pilot project will also initially provide the services of an industrial hygienist and a safety specialist from Iowa State University.

The Iowa farm health and safety project had its origin in two separate visits to Sweden, first by Donham in 1984-85 and then in 1986 by Rep. David Osterberg (D-Mt. Vernon). There they observed the operation of the Swedish Farmers Preventive Health Organization (Lantbrukshalsan), which for the past 10 years has provided comprehensive occupational health and prevention services to Swedish farmers and farm families. The organization is backed by the Swedish Farmers Union and individual Swedish farmers.

The Iowa project will provide services at two levels, Donham said. The first level of service, free and available to all farm families in the area served by the hospital, will include education and awareness programs in farm health and safety. Hygiene and safety information will be available by phone consultation.

The second and more extensive level of service will be for members who pay a fee. Local hospital spokesmen said the MMSC project has not been fully designed yet, and the costs to farmers have not yet been set. Voran said it is possible that insurance companies might be interested in participating in the program. Locally, two committees will be formed to seek input into the structure of the program: a multi-disciplinary Advisory Committee composed of farmers, agribusiness, medical personnel, and professional people, and an Input Committee made up exclusively of farmers.

Voran said he would welcome hearing from persons interested in the program.

Meanwhile, in Iowa City, Donham outlined specifics of the pilot project as he envisions it: member families will be interviewed to determine their agricultural health risks, and they will be screened for breathing, hearing and other areas in which agricultural health problems are common. At an initial office visit, an occupational nurse will explain resources and services of the project to the members and will help determine the need for further clinical services or referrals.

"We will be surveying some farm families in Marshall and Tama counties in early February," Donham said. "We're doing this to identify occupational health and safety problems from the farmer's perspective, to discover the farmer's attitudes toward these problems, and to solicit the farmer's suggestions for remedies to these problems."

Although most of the UI pilot project will be implemented at the two community hospitals beginning in early April, Donham emphasized that the project will provide services throughout Iowa via telephone consultations for physicians, veterinarians and county health departments.

"The success of this pilot project at the end of two years will be measured by how effective it is in reducing both risks and costs of farm-related illnesses and accidents, by how well the public accepts the program and by the ability of the hospitals to sustain the program," Donham said.

"We think this is a real plus for our hospital and our community, and especially for our rural friends and neighbors who live on the farms in our service area," said Voran.

Frank Fair, assistant administrator for professional services, stressed the unique aspect of the program, noting that there is nothing like it offered anywhere in the country. "Nobody in this country is even trying it; that's the challenge." Pointing to the hospital's location in the middle of mainly farming counties, he added, "This area is an excellent testing ground to see if it has application in the United States."

Life On The Farm

Is Safer, Healthier Thanks To MMSC's AgriCare Program

By BILL RIEMENSCHNEIDER
MMSC Director Of
Public Relations

Since its formal introduction to central Iowa last November, the AgriCare farm health and safety program at Marshalltown Medical & Surgical Center has continued to develop and establish itself as a valuable ally in the search for a safer, healthier working environment for farmers and their families.

AgriCare director Marcia Heggen, R.N. notes that "The response has been very good." She said AgriCare, which is one of only two such programs in the country, now boasts 61 farming "members," people who have enrolled themselves in a two-year study which begins with a comprehensive battery of health screenings. Mrs. Heggen said the screenings test hearing ability, lung capacity, skin condition, blood counts for cholesterol and cholinesterase levels, and other factors which are directly and uniquely affected by the farm work environment.

Baseline levels for these various factors are established in the initial screening, and each member is tested again in two years to determine if any change has occured.

Mrs. Heggen noted that another phase of AgriCare is to provide educational programming on a wide variety of farm-related health and safety topics. Those offerings are open to both members and non-members.

A program on the health effects of hog confinement operations was staged this spring, as well as a session on pesticide management and water quality. Currently, several AgriCare members are completing a certification course in cardiopulmonary resuscitation.

In the planning stages for this fall are a respiratory hazards program and a series designed to assist farm families in reviewing first aid and emergency care techniques, with a particular slant towards the farm setting and children.

AgriCare has at times taken a "mobile" approach to services, and last spring Mrs. Heggen organized a series of cholinesterase screenings on-site in communities throughout Central Iowa.

linesterase is an enzyme which transmits nerve impulses throughout the body. The enzyme can be affected by organophosphates, common elements in corn rootworm insecticides.

said that a mild exposure might bring on symptoms of headache, poor coordination or blurred vision, and she cautioned that serious health problems can result if the exposure becomes extreme.

Mrs. Heggen and AgriCare Program Assistant Marcia Barrett, R.N., are always available to review the best techniques for handling pesticides. They also have at hand samples of clothing and special protective gear for dealing with insecticides and other forms of chemicals, grain, and livestock.

Both Mrs. Heggen and Mrs. Barrett are confident about AgriCare's beginnings in Iowa. "We're hearing more and more from our members about needs they see for educational programming, and I have a sense that we're helping increase awareness about hazards on the farm," said Mrs. Heggen. She stressed that AgriCare is "networking and blending with other community agencies which already offer health and safety services for farmers."

They also report that AgriCare is being "talked up" increasingly by members and others who have attended the educational sessions. "People are beginning to see us as an available resource they can call at any time," said Mrs. Heggen.

She added that next spring AgriCare will begin addressing ways to prevent childhood disabilities which result from farm accidents, poisonings, and other causes linked to the agricultural setting. This additional area of concentration for the program is being made possible through a grant from the United States Center for Disease Control.

AgriCare and a similar program at Serton Hospital in Cedar Falls first began with a $60,000 approved by the Iowa legis in 1987. The funding is coordi through the University of Institute of Agricultural Me and Occupational Health.

Staff photo by Sarah Bi

SAVING LIVES — Barb Robinson, RN, assists Bill Schnormeier, New Providence, as he admini CPR on a dummy as part of the AgriCare program at Marshalltown Medical & Surgical Center. The class is just one in a series of AgriCare programs which teach farmers and those in agriculture-re fields farm health and safety.

Pioneering Health Service Promotes Safe Farming

Two Iowa hospitals have developed a first-of-its-kind rural health program that offers farmers a variety of health and educational services, including screening for chemical exposure.

By Peg Zenk,
Associate Editor

"An ounce of prevention is worth a pound of cure."

That old adage could serve as the motto for an experimental health care program for farm families that's being developed by the University of Iowa and two of the state's community hospitals.

The three-part program of health screening, educational programs and on-site farm safety analysis, patterned after rural health care programs in Sweden, is designed to promote safer farm practices, says Jane Gay, program coordinator at the University's Institute of Agricultural Medicine and Occupational Health. "Our main goal for the program is to meet the farmer's needs for preventive health care. And at the same time, we're able to meet the needs of the rural hospitals by making better use of their facilities."

The two pilot clinics, located at Cedar Falls and Marshalltown, charge a $100 bi-annual membership fee which entitles a farmer to clinical testing for respiratory problems, hearing loss, skin cancer and potential pesticide poisoning.

Fees for additional members are less — $50 for the spouse, $25 per child under 18, and $75 for any additional farm worker. "The screening isn't the same as getting a checkup from your doctor, but it's an awfully good start," says Reginald Martin, a Union, IA, farmer who joined the pilot program at Marshalltown Medical and Surgical Center.

A member of the AgriCare farmer advisory board, Martin says one of the program's best features is that it's tailored to agriculture. "It not only makes you aware of your own health, but it teaches you what you can do to avoid problems."

One of the screening tests, being used to help farmers determine their exposure to pesticides, is a simple blood test. It's used to measure the individual's level of cholinesterase, an enzyme necessary for proper nerve function. Exposure to organophosphate pesticides lowers the amount of enzyme available to the body, causing muscle twitching, headaches, weakness, blurred vision and general flu-like symptoms within 4 to 12 hours of exposure.

But because the enzyme level varies with each person, farmers should be tested each spring before they work with organophosphate chemicals, so a normal enzyme level can be determined for them, recommends Pam Delagardelle, director of the Farm Partners program at Sartori Hospital, Cedar Falls. "Then if an over-exposure does occur, we can better judge the severity."

Pesticide exposure and respiratory problems have been two of the biggest concerns, she says. "When farmers come in for screening, they are usually the most concerned about chemical exposure. But it turns out that hearing loss is the most common problem we detect.

"About 30% of the farmers we test need hearing aids," she says. "One of the most important things we do is to fit them for hearing protection."

Gearing up for safety

Protection is another key part of the program, says Delagardelle. "After the screening, we sit down with the farmer and talk about the type of environment he works in and try to provide practical advice about what he can do to protect himself. We'll fit him for a respirator and show him how to use it properly. That part of the service, alone, has drawn a lot of people into the program."

If you don't use the right type of mask or gloves for the job, you may not be getting much protection at all, adds Marcia Heggen, R.N./director of AgriCare. "For instance, there are a variety of masks and respirators available. The type used in the moist, dusty atmosphere of livestock confinement buildings is probably not going to be the best protection for

Measuring lung capacity is part of the program's health screening. (Below) AgriCare staff members Marcia Heggen and Marcia Berrett discuss protective equipment with farmer Reginald Martin.

handling chemicals.

"We also want to tell farmers that wearing a respirator isn't going to solve all their health problems," she says. "Protective equipment is just part of the answer. The farmer can also minimize exposure through various management techniques."

That's where the program's other two parts come in. Working in conjunction with the University, the clinic conducts four educational workshops per year for its members. Topics range from safe handling of pesticides to air quality in confinement hog buildings.

"We try to be receptive to the members, providing information about things they're most interested in," says Heggen. "This summer we hope to organize first aid training for junior high and high school students. We try to focus on the family — meeting the needs of all its members. After all, anyone who lives on a farm is exposed to machinery or other potential hazards at some time."

On-farm hazard hunt

Identifying those hazards is the purpose of the on-site farm analysis, says Stephanie Leonard, agricultural hygienist for the University's Institute of Ag Medicine and Occupational Health.

"We can conduct an over-all safety assessment of the farm, looking for things like machinery and structural hazards, grain storage or ventilation problems, electrical and fire hazards," she says. "But most people have a specific problem they want to work with us on.

"For instance, air quality in confinement livestock buildings has been a common concern. We'll go out to the farm and set up equipment, taking samples to measure levels of organic dust, ammonia and hydrogen sulfide," she says. "Once we've identified any hazardous conditions we can make recommendations about the proper personal protection equipment, management practices that could reduce or eliminate the problem, or even remodeling, if a farmer is interested."

The Institute's normal charge for a half day of on-farm testing usually runs about $300 plus travel expenses, so the same service, included in the initial membership fee, makes it a real deal, she adds. "Depending on what happens with the proposed legislative funding, there may have to be a slight charge to members for this service in the future."

In search of funding

In the first few months of business, the clinics have made a strong start, recruiting 52 members at Marshalltown and 80 members from around Cedar Falls. Funding is one of the biggest hurdles program organizers now face.

The two local hospitals have absorbed the cost of staff salaries and facilities. And according to Delagardelle, the membership fee covers the cost of the screening. The remaining support services from the University of Iowa were funded by a $60,000 grant from the Iowa legislature, which will run out in June. A current appropriations bill that would establish a network of regional programs in the state still awaits passage.

"A big benefit down the road would be getting insurance companies to recognize this as a wellness program, similar to industrial health care programs," says Martin. "In time, they may be willing to cover the cost of the screenings, pay the membership fee or offer members a discounted rate."

"But before that happens," Gay adds, "we need to be able to show them data that proves these centers are effective. The hospitals have made a financial commitment to supporting the program for at least three years; it will take that long before any payback is possible."

For more information contact AgriCare, Dept. FIN, 3 S. 4th Ave., Marshalltown, IA 50158, 515/753-8850, or Farm Partners, Dept. FIN, 6th and College St., Cedar Falls, IA 50613, 319/266-3584 or circle 227. □

Photos: Ralph Sanders

Hospitals test farmers for pesticide exposure

By DAN LOOKER
Register Agriculture Writer

MARSHALLTOWN, IA. — As Iowa's farmers till their fields and tune up their planters a few weeks before the start of the 1989 corn growing season, a few are adding a personal blood test to their list of early spring chores.

That blood test is part of an experimental project by the University of Iowa and two Iowa hospitals to promote safer farming practices — including better protection of hearing and protection from dusts and molds in enclosed hog buildings. This spring, the two hospitals in the pilot project, in Marshalltown and Cedar Rapids, have aimed at giving farmers better protection from corn insecticides.

That's where the blood test comes in.

The test won't prevent poisoning or illness from accidental exposure to the insecticides, but it can help a farmer's family doctor detect the chemicals' sometimes subtle effects. The blood test measures an enzyme essential for life that can be depressed by the active ingredients in the most popular corn rootworm insecticides.

Insect Killers

According to a 1988 Iowa State University survey, the most recent, four of Iowa's five most widely used corn rootworm insecticides — Counter, Lorsban, Dyfonate and Thimet — are organophosphates, a group of chemicals related to some military nerve gases. The insecticides kill insects by tying up an enzyme that helps transmit nerve impulses.

That enzyme — cholinesterase — is also essential for human health and can be measured with a blood test. But the amount of the enzyme in the blood varies from one person to the next, making it difficult for a doctor to detect evidence of mild poisoning unless the doctor knows a patient's normal cholinesterase level.

Mild poisoning can cause headaches, dizziness or poor coordination and the symptoms of respiratory or stomach ills, said Marcia Haggen, a nursing instructor and public health specialist who runs AgriCare, a new farm health outreach program supported by the Marshalltown Medical and Surgical Center.

When some farmers who come in the AgriCare blood screenings hear these symptoms described, "they say, 'Yeah, I've had headaches, and I feel real tired'" during the spring planting, Haggen said. That's when soil insecticides usually are applied, along with corn seed.

Deadly Potential

If a farmer is exposed to enough insecticide, added Sally Young of Sartori Hospital in Cedar Falls, "if the cholinesterase level is lowered enough, you can die." Poisoning by organophosphate insecticides can be treated with an antidote if caught soon enough.

BOB HANDELL/The Register

Marcia Haggen tries on an apron, mask and gloves. On the table is an assortment of gear to protect people from farm chemicals and dust.

Preventing insecticide poisoning is one of the goals of AgriCare and Sartori Hospital's similar outreach program, Farm Partners. Farm Partners started working with the public last August, and AgriCare opened in February.

AgriCare has offered blood tests for cholinesterase at a half-dozen

AGRICARE

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co-ops and farm chemical dealerships this spring, reaching about 100 farmers and chemical applicators in seven counties in the Marshalltown area, Haggen said.

Blood screening is just part of the two programs.

Haggen and her assistant, registered nurse Marcia Barrett, run a clinic for AgriCare in a brick building once used as a nurses' dormitory.

Health Tests

For a $100 two-year membership fee, farmers get a medical screening for some of the most common occupational hazards. During the exam, which lasts up to four hours, their hearing is tested for loss caused by noisy machinery, lung capacity is checked for impairment from allergies to molds and dusts common in livestock buildings, and they are checked for skin cancer, a hazard for anyone who works outdoors.

Membership also brings a 10 percent discount in the hospital's wellness classes and discounts for any emergency room treatment for farm accidents. University of Iowa agricultural health specialists give four educational programs each year to members, and its Institute of Agricultural Medicine and Occupational Health offers an on-farm safety check by an industrial hygienist.

The educational workshops have been well attended by AgriCare's 80 members, Haggen said, but only three farmers have asked for a safety check.

AgriCare also shows farmers how to avoid exposure to corn rootworm insecticides, a more complicated job than it might seem at first.

Organophosphate insecticides not only poison if they are inhaled or swallowed. They can be absorbed through the skin, something most farmers already know from taking safety training required by the Environmental Protection Agency to use hazardous chemicals, Haggen said.

But when they try to buy protective equipment, they have trouble finding it at local co-ops and supply stores, partly because demand is still limited, Haggen said.

Leather, Cotton Worse

"Some people go to the store and buy Playtex gloves or surgical gloves," she said. But organophosphates pass through that type of plastic. Leather or cotton gloves are even worse, because they absorb the chemical and re-expose the farmer each time the gloves are used.

Gloves made with Nitrile plastic will block organophosphates, Haggen said, and her clinic has ordered a supply for farmers.

Haggen will help farmers find the right face mask to filter chemicals from the air they breathe and protective clothing, boots and even a moon-suit style helmet with a forced-air filtering system.

But the public isn't likely to see farmers in space suits on tractors in the Marshalltown area this spring.

The protective clothing can be hot and uncomfortable, and farmers like Matt Smith are likely to rely on a mix of common sense and some protective equipment instead.

Smith, who also runs a grain elevator, is one of several farmers on a committee Haggen formed to help run AgriCare. And he has learned some useful precautions, he said.

"In the past, I thought I was real careful — but I never really had gloves that were designed for chemicals," he said. So he's going to abandon his leather gloves for Nitrile gloves this spring, even though "it is a nuisance to put them on and peel them off carefully so that you don't contaminate yourself."

Plastic Gloves

When he pours granular insecticide into application boxes on his planter this spring, he doesn't plan to wear a mask, though. "I guess you think you're wise enough to keep your nose upwind," he said.

He also plans to use plastic gloves when cleaning the nozzles of his herbicide sprayer, he said. In the past, he has carried soap and water to the field to wash his hands but hasn't tried to avoid exposure to the less toxic herbicides.

"Some of those things we thought were harmless, like Lasso, now there's a question," he said. Lasso, or alachlor, is suspected of causing cancer but was cleared for continued use by Environmental Protection Agency after a four-year review of potential risk.

Haggen hopes that more farmers will follow in taking pesticides seriously.

Best Protection

"We don't know, long term, what the majority of these chemicals will do," she said.

The Iowa Legislature, which appropriated $60,000 two years ago to pay for the back-up services that the University of Iowa provides the Marshalltown and Cedar Falls hospitals for their farm safety work, is likely to pass a $240,000 appropriation this year that would help start another four pilot farm safety programs at other hospitals in Iowa, said Representative David Osterberg (Dem., Mount Vernon), chairman of the House Agriculture Committee.

Rural health

by Jody Garlock

Steve Rash's encounter with moldy grain last summer was all it took to convince him to change his ways.

Ever since developing flu-like symptoms that were severe enough to send him to a hospital emergency room in July, the Union farmer hasn't stepped foot in his grain bin without wearing a protective mask. Likewise, the first thing he does before entering his hog confinement building on his central Iowa farm is put a mask over his mouth and nose.

For Rash, the masks have become as common as slipping on coveralls and boots. They're his way of protecting himself from inhaling the seemingly innocent dust that can cause illness and chronic respiratory problems.

Rash, a member of Hardin County Rural Electric Cooperative in Iowa Falls, may be considered part of a new breed of farmers. He's among those taking steps to curb the risks in what has become the United States' most hazardous occupation.

New program seeks to prevent diseases and accidents in what has become the United States' most hazardous occupation: farming

"Statistics now show agriculture is the number one hazardous occupation in the United States," says Marcia Barrett, a member of Grundy County Rural Electric Cooperative in Grundy Center and a nurse who is working to make farmers more aware of those statistics.

Barrett is part of a new rural health care program designed to prevent diseases and accidents associated with agriculture. The program, based and managed by the Marshalltown Medical & Surgical Center, provides comprehensive occupational health services to rural families. Barrett serves as the program's assistant, while Marcia Heggen is the director.

The AgriCare program, as it is called, is affiliated with the Iowa Agricultural Health and Safety Service Project of the University of Iowa. The Marshalltown hospital is one of two

TOP: Steve Rash wears a particle mask while doing chores in his hog confinement. The Hardin County REC member is taking steps to minimize the risk of respiratory problems caused by working in confinement buildings.

pilot sites in Iowa for a rural health care program. A similar program also is underway at Sartori Memorial Hospital in Cedar Falls, and one will soon be launched at Guttenberg Municipal Hospital.

Barrett and Heggen are excited about the opportunities the program holds—especially since rural health is an area that has largely been ignored. The program is the first health care program geared specifically for farmers, Heggen says.

"This is really a ripe time for this kind of program," she adds.

Heggen says agricultural medicine is a relatively new field due to the technological advances in farming—such as the increased use of chemicals and the advent of confinement buildings. While such advances have helped make farming easier, they also can take a toll on farmers' health.

For instance, dust in confinement buildings can put "a real stress" on a person's lungs, Heggen says. The dust comes from feed, dried manure, skin and hair particles, and may include bacteria. Many dust particles carry gas, such as ammonia, that also can increase respiratory problems.

Chemicals are another culprit, as farmers run the risk of poisoning. In mild cases of pesticide poisoning, the symptoms include headaches, blurred vision, nausea, vomiting and diarrhea. In severe cases, the symptoms are breathing difficulty, loss of reflexes, severe secretion of the respiratory tract, convulsions and unconsciousness.

The list of problems continues.

"Many farmers are aware there's a lot of hazards they face. Some, though, are not aware of how it directly affects their health, and they're not aware of all the alternatives to minimize health problems."

—Marcia Heggen

Though not life threatening, Barrett says hearing loss caused by working around loud equipment is the most widespread problem. On the more serious end are the "traumatic" accidents—mangled limbs and fatalities.

Rash has learned the hazards of farming the hard way. His first encounter came when his wedding ring got hung up on a grain ladder, ripping off his finger. He spent a week in a hospital, where he was able to have his finger reattached.

Since mangled limbs are the more visible aspects of farming's risks, they usually are taken more seriously. Less visible, but just as serious, are the respiratory problems many farmers shrug off as a temporary illness that isn't associated with their work.

In Rash's case, he thought he had the flu. But after the illness persisted, he began putting the pieces together. He recalled seeing dust flare up when he came across a pocket of mold while cleaning his corn bin, and he remembers continuing to work in the bin.

"A lot of things you don't relate to farming. You just don't put the two together," Rash says.

A trip to the emergency room at the Marshalltown hospital confirmed Rash's suspicion. His doctor determined the illness was caused by the dust, and he advised him to wear a protective mask in the future.

"It really can knock you if you get into it bad," Rash says of encountering the dust from the moldy grain. "That was the last time I went into a corn bin without a mask."

The mask Rash wears in his corn bin is more elaborate than the disposable particle masks he wears in his hog confinement. Both masks, he says, do their job. He no longer experiences coughing or tightness in his chest after working in the bin or confinement building.

"The difference is so dramatic, it almost surprises me," he says.

Rash considers himself lucky, and after experiencing the problems firsthand, he's not taking any more chances. He notes, though, that it often takes a specific incident to make people realize they need to protect themselves.

"Most people don't think about the consequences until sometimes it's too late," he says.

Heggen and Barrett are hoping the AgriCare program changes that line of thinking. In essence, the program serves as a screening clinic—a complement to a farmer's primary health source. Persons may enroll in the full two-year program or in selected portions of it.

Continued on next page

Iowa farmers will be hearing more about their health due to the AgriCare program and similar programs designed to prevent agricultural-related diseases and accidents. In the left photo, Marcia Heggen, AgriCare program director, discusses ways to minimize the risks of farming with Steve Rash. In the center is some of the protective devices farmers can wear. At right, Marcia Barrett, left, shows Diane Rash the proper way to wear a particle mask. Barrett is the assistant director of the AgriCare program in Marshalltown.

Continued from previous page

AgriCare members receive an occupational health history, and testing for such things as lung function, hearing, vision, skin cancer and cholesterol level. Members also can receive discounts on various wellness classes and on emergency room visits for farm-related accidents.

Other perks of the program include a farm site evaluation to determine the potential for health risk and programs on specific agricultural health and safety topics. The educational programs are designed to inform farmers of ways to reduce the risks associated with their job.

"Many farmers are aware there's a lot of hazards they face," says Heggen. "Some, though, are not aware of how it directly affects their health, and they're not aware of all the alternatives to minimize health problems."

A step into the AgriCare program's office provides a glimpse of ways to minimize health problems. A table in the office sports some of the "tools" Heggen and Barrett hope more farmers will use. Those include particle masks, ear plugs, rubber gloves, goggles and air filters—all of which come in varying sizes and forms.

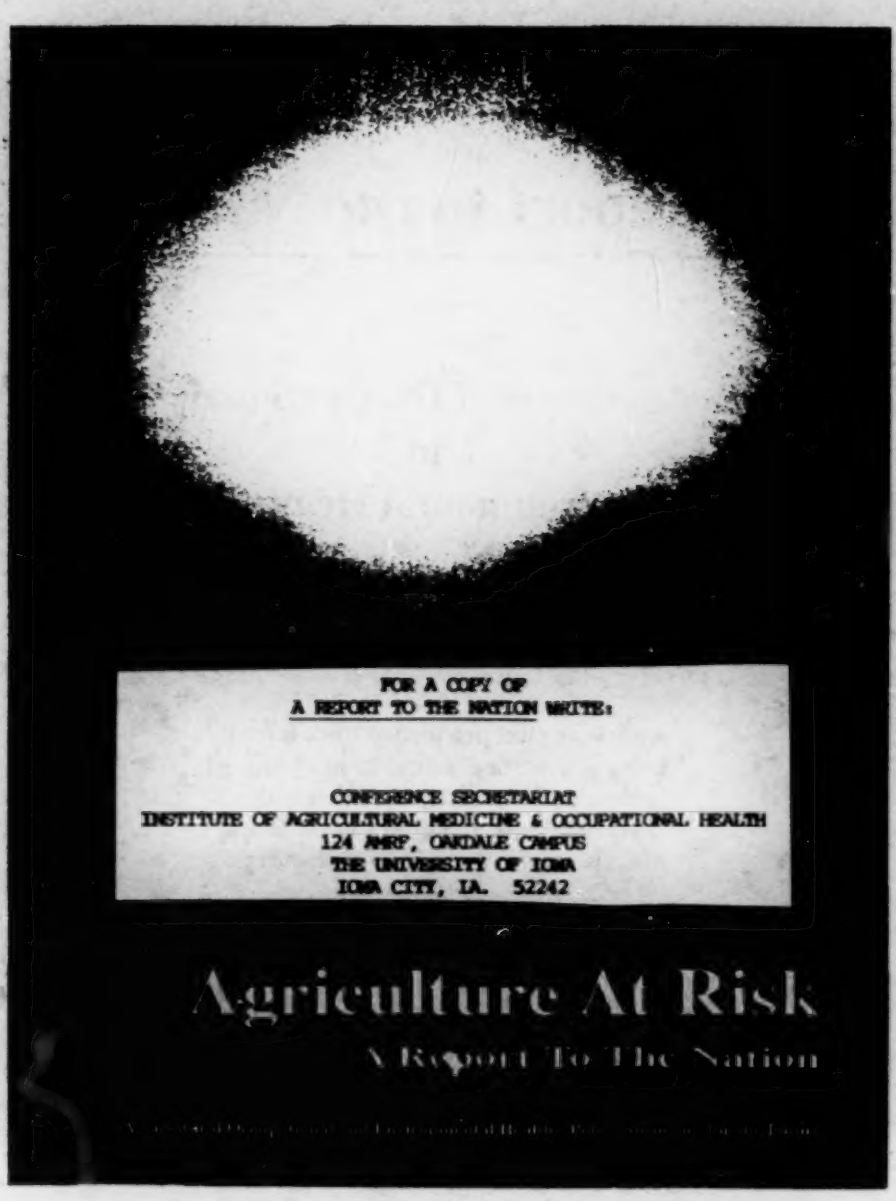
Heggen and Barrett know that convincing farmers to use such equipment isn't an easy task. The key, Barrett says, is getting into the habit. They're hoping awareness of the risks will lead more farmers to modify their current work habits.

The two stress that the program is for the entire family, including children. Heggen notes that even though children may not be directly involved in the farming operation, they often are passively involved. For instance, making the rounds when parents do the chores puts them at risk, she says.

"We're hoping to really focus on the youth as well because it's important to establish good safe behavior early on," Haggen says.

Raah has come to realize the importance of safe behavior, and he urges other farmers to take proper precautions. His mishaps haven't lessened his love of farming; instead, they've made him more conscious of the risks he faces every day.

"It's a terribly hazardous business when you really come right down to it," he says. ■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A REPORT TO THE NATION WRITE:
CONFERENCE SECRETARIAT
INSTITUTE OF AGRICULTURAL MEDICINE & OCCUPATIONAL HEALTH
124 AMRF, OAKDALE CAMPUS
THE UNIVERSITY OF IOWA
IOWA CITY, IA. 52242
Agriculture At Risk
A Report To The Nation

A Report to the Nation

Agricultural Occupational and Environmental Health : Policy Strategies for the Future

America's most productive work force is being systematically liquidated by an epidemic of occupational disease and traumatic death and injury in the face of diminishing local and federal resources.

by

The National Coalition For
Agricultural Safety and Health

STATEMENT OF THE PROBLEM

Any consideration of the agricultural work force must include a reflection of the vital role that agriculture plays in our society and our nation's economy. Although only 2 million persons report sole or primary employment from agricultural work, many more are directly involved in agricultural production: 3.1 million persons who claim some farm income, 6 million additional farm family members, and 2.7 million hired farm workers (which would include migrant and seasonal workers) (figures reported by the U.S.D.A., Economic Research Service in 1981). This combined work force produces the food and fiber upon which Americans depend. At the local level, rural economies rely heavily on the productivity of farmers and farm service providers. Agriculture is a major component of the economies of such diverse states as California, Iowa, and New York. Nationally, farm surpluses have enabled Americans to enjoy low food prices while avoiding a disastrous imbalance of foreign trade. Agricultural productivity has been a major impetus establishing our nation as a world economic force.

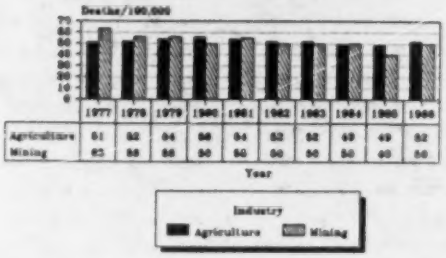
In addition to its economic contributions, America's farming population has contributed much to the social fabric of this country. Independence, responsibility, determination, self-reliance, and industry are qualities that typify the agricultural lifestyle across this country. These are societal characteristics that are clearly desirable in modern America.

In view of the economic and cultural importance of the agricultural work force, the accelerated loss of our farmers and farm workers to work-related disease and injury must be viewed with alarm. Our farms and farmers should be recognized as potentially non-renewable natural resources. Yet farmers and farms are currently being lost at a rate that is not acceptable according to current western standards of public health. The National Safety Council's (NSC) annual survey of agriculture has consistently shown agriculture to be among the nation's most hazardous occupations. These statistics reveal a clear trend when this country's two most hazardous occupations, agriculture and mining, are compared: while death rates in mining have decreased in recent years, death rates in agriculture have remained constantly high (see Figure 1). While annual agricultural and mining death rates now hover around 50 deaths per 100,000 workers, the annual death rate for all industries combined is only 11.

It is important to note that these figures, which in 1986 were based on an estimated 1600 agricultural deaths, do not include the approximately 300 children killed each year while engaged in farm-related activities. More than half of these deaths are traumatic machine-related fatalities.

While these mortality statistics establish agriculture as a most hazardous occupation, vying with mining for first place on the death roles, the estimated 170,000 disabling farm injuries that occur each year are having by far the greatest impact on agriculture, rural communities, and the rural economy. Nearly half of all survivors of serious farm trauma are permanently impaired. These victims incur enormous hospital and rehabilitation costs (an estimated 2.5 billion dollars in 1983), which are rarely covered by

Figure 1 Comparison of Annual Death Rate Per 100,000 Workers Agriculture and Mining



Safety Facts, National Safety Council. **Accident Facts**, 1987 ed. National Safety Council, Chicago, IL, 1987.

worker's compensation. It should be recognized that even though NSC figures include forestry and fishing in their definition of agriculture, other epidemiological studies have indicated that NSC data underestimate farm injury rates by as much as 50%.

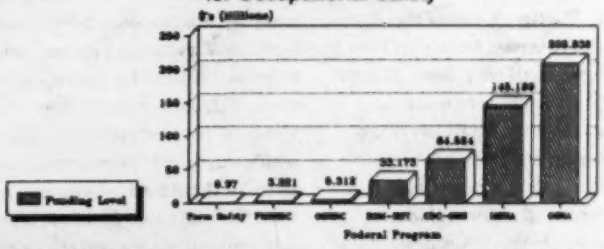
These statistics deal only with the obvious, compelling epidemic of agricultural deaths and disabling injuries. They ignore the wide range of agriculturally-related diseases that have been documented in several epidemiological studies, but for which adequate state or national statistics are not available. It is clear, however, that increased rates of work-related diseases affect nearly every body system. In addition to acute illness, farmers and farm workers suffer from increased chronic disease including chronic lung disease, certain cancers, arthritis, dermatitis, and noise-induced hearing loss. Problems such as these are intensified by the lack of occupational health and safety services available to the agricultural work force, and by the inadequacy of relevant preventive and educational programs and medical research in the field.

In addition, farmers and others dwelling in rural areas now may face the uncertain dangers of chemically contaminated drinking water. It is widely recognized that increased nitrate and certain pesticides in groundwater pose a potential threat to farm families, including children. Concern about the health effects of agricultural chemicals and the high incidence of agricultural injuries and diseases ranked high on the list of priorities of Iowa and New York respondents to a University of Iowa farm family survey.

Particularly regrettable is the lack of federal and state programs to deal with this epidemic. A double standard separates agriculture and general industry: agricultural deaths, diseases, and injuries occur at much higher rates than in industry, yet agricultural health and safety problems are largely ignored by federal and state agencies. Farmers have been systematically denied the potential benefits of a variety of programs aimed at supporting and protecting the American worker. Analysis of federal spending reveals that farm safety receives a minuscule proportion of the safety and health dollars spent (see Figure 2).

Figure 2

1986 Federal Funding Levels for Occupational Safety



Farm Safety–Farm Safety-USDA Extension Service
FMSHRC–Federal Mine Safety and Health Review Commission
OSHRC–Occupational Safety and Health Review Commission
BOM-HST–Bureau of Mines, Health and Safety Technology Research
CDC-OHS–Centers for Disease Control, Occupational Safety and Health Research, Training, and Scientific/Technical Services
MSHA–Mine Safety and Health Administration
OSHA–Occupational Safety and Health Administration

Purschwitz M.A., Field W.E.: Federal Funding for Farm Safety Relative to Other Safety Programs. In Proceedings of the 1987 National Institute for Farm Safety Summer Meeting, NIFS, Columbia, MO. June 14-18, 1987.

When funding levels (excluding the small amount of National Institute for Occupational Safety and Health (NIOSH) agricultural safety support) are calculated on a per-worker, per-fatality, and per-disabling injury basis, the striking differences in funding between agriculture, the hazardous mining sector, and all employed workers are obvious (see Table 1).

This gap between federal funding of programs for agricultural safety and programs for other workers is growing. While all occupational safety programs have suffered significant funding cuts in the last decade, federal support for agricultural safety is less than half the meager appropriation of 1976 (see Table 2).

Table 1.
Federal Dollars Spent on Occupational Safety*

Industrial Sector	$/Worker	$/Death	$/Disabling Injury
Agriculture	0.30	606.25	5.71
Mining	181.68	363,366.00	542.00
All	4.34	39,769.57	230.66

*as estimated by NSC for 1985

Purschwitz MA, Field WE: Federal Funding for Farm Safety Relative to Other Safety Programs. In Proceedings of the 1987 National Institute for Farm Safety Summer Meeting. NIFS, Columbia, MO., June 14-18,1987.

Table 2.
Federal Funding for Occupational Safety*

Year	Farm Safety	Mine Safety	Total Occupational Safety
1976	$ 1.02	$ 170.41	$ 331.53
1987	0.49	100.67	255.42

*millions of dollars, based on inflationary reductions in the dollar's value since 1976 and on changes in federal funding of safety programs.

Purschwitz MA, Field WE: Federal Funding for Farm Safety Relative to Other Safety Programs. In Proceedings of the 1987 National Institute for Farm Safety Summer Meeting, NIFS Columbia, MO., June 14 - 18, 1987.

The Occupational Safety and Health Act states that every working man and woman in this country should have a safe and healthful working environment. The figures quoted above demonstrate that this mandate has not yet been extended to the agricultural work force. Despite documentation of the epidemic of traumatic death and disabling injuries, the widely recognized increase in acute and chronic diseases among farm workers, and an array of toxic and hazardous exposures on the farm and in rural groundwater, the well-being of American agricultural workers has been largely omitted from state and federal governmental agendas.

Reasons for this omission are multiple (see Table 3), but are nevertheless regrettable. Other industrialized countries, including Canada and many western European nations, have developed health and safety programs that have effectively reduced the risks of agricultural work. Yet, in this country, there is no federal agency with a clear mandate to address the health, safety, and environmental risks faced by agricultural and rural populations. Research, education, and training funds to address this rural epidemic are few and are decreasing in the face of inflation and federal budget cuts. Health services also are shrinking with the rapid loss of

Table 3.
Reasons for the Lack of an Agricultural Safety and Health Agenda in the United States

1. General public is unaware and therefore unconcerned.
2. Not recognized as part of the larger rural health agenda.
3. Farm population has not raised the issues.
   - Accept responsibility and blame themselves instead.
   - Concerned, but do not know what to do.
   - Independent by nature.
   - No broad-based organizations or unions to represent farm families and workers.
4. Farm constituency groups have not raised the issues.
   - Economics predominates, not health.
   - Concern about restrictive regulations.
5. Federal/state agencies have not become involved.
   - Lack of leadership.
   - Agricultural concerns divided among many agencies.
   - Deterred by farm groups.
   - No mandate.
6. Academia has not become involved.
   - Few research dollars, and therefore few incentives to work in this area.
   - No broad-based scientific forum (professional organization or journal) to discuss the issues.

rural community hospitals and their emergency, diagnostic, and rehabilitative services.

The result is that America's most productive work force is being systematically liquidated by an epidemic of occupational disease and traumatic death and injury in the face of diminishing local and federal resources. This largely unrecognized epidemic is endangering the health and safety of both American agriculture and the rural communities that rely so heavily on agribusiness.

In order to document these problems for the public record and to stimulate activities leading to formation of a national policy addressing agricultural health and safety problems, a four-part, action-oriented conference was held in September, 1988. This Report to the Nation describes the conference organization, summarizes the scientific papers presented at the conference, and lists the wealth of policy recommendations that were produced by conference participants.

Development of Occupational Health and Safety Delivery Initiatives

It is strongly recommended that the federal government, in conjunction with the proposed Centers for Agricultural and Rural Safety and Health, sponsor the development of a phased system to provide comprehensive OHSS to agricultural communities, involving state lead organizations and local projects. The initial phase of the system would be the establishment of a number of pilot projects across the country to test several models of agricultural occupational health and safety service delivery. In these pilots, farmers and agricultural workers should be considered to be a special occupational group, and farming should be considered as an occupation as well as a way of life. Pilot projects should be developed keeping the following recommendations in mind.

1. Funding of pilot projects through the Department of Health and Human Services (DHHS), with concerted efforts to involve the DOL and USDA in the project development.

2. Incorporation of cost sharing arrangements, with farmers, farm groups, insurance companies, and local hospitals and communities assuming some of the responsibility for the cost of the pilot projects whenever possible.

3. Incorporation of advice from farmers, local health professionals, agricultural groups, and involved communities at each step of service development.

4. Establishment of linkages with emergency services, the Cooperative Extension Service, and educational resources as a routine part of program planning.

5. Recruitment of health care personnel to staff the pilot projects from pre-existing community providers, and use of pre-existing rural facilities as physical plants, to the greatest extent possible. This is necessary to assure that access to specialized services (such as industrial hygienists and safety engineers) is available through referral to a higher center or by contract.

6. Incorporation of a major evaluative component, to allow useful models to be retained and ineffective models to be set aside.

7. Identification of a lead agency in each involved state early in project development, to assure coordination and best use of state and local resources, to assist in project evaluation and modification, and to develop a system of program dissemination. The state agency also could provide clinical, environmental, and preventive back-up services. The lead agency could be a university, health department, or other organization with appropriate capability and interest.

8. Provision of tertiary-level back-up and support to states and to community programs by regional referral centers, namely the above-proposed Center for Agricultural and Rural Safety and Health. Support would include clinical back-up for difficult cases, industrial hygiene and safety referral, development of health and safety education programs for the farm community and health care provider, research, evaluation of pilot programs, and dissemination of projects.

Mitchell County MCM Memorial Hospital

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COMMENTS BY

DAVID M. SMITH, CHIEF EXECUTIVE OFFICER
MITCHELL COUNTY MEMORIAL HOSPITAL
OSAGE, IOWA

AT

HOUSE COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON
CONSERVATION, CREDIT, AND RURAL DEVELOPMENT
CONGRESSMAN GLENN ENGLISH (D-OKLA), CHAIR

MIDWEST FIELD HEARING ON RURAL ECONOMIC
DEVELOPMENT INITIATIVES

AUGUST 11, 1989

MARSHALLTOWN COMMUNITY COLLEGE CAMPUS
MARSHALLTOWN, IOWA

I am Dave Smith, Chief Executive Officer of the Mitchell County Memorial Hospital at Osage, Iowa. On behalf of my 40 bed hospital and Iowa's rural community hospitals, I wish to thank you for the opportunity to make this presentation at this Midwest Field Hearing on Rural Economic Development Initiatives.

In rural Iowa, the hospital is a critical component of the agricultural communities economic, social, and political infrastructure. We know that rural America embraces 25% of the population, 40% of the hospitals, 23% of the acute care beds, and 20% of the utilization. Thats the national perspective, but in states such as Iowa, those figures can be doubled. 80% of Iowa's hospitals, 47% of its beds, and approximately 40% of the utilization occurs in rural Iowa. We are well aware of the importance and significant contribution of rural Iowa hospitals to the health, social well being, and economic viability of rural Iowa. Rural hospitals are one of the larger employers in our Iowa rural communities, which is also true within my own community with a payroll of 110. That sensitivity has not been accepted by many in Washington, D.C. One of your difficult tasks is to raise the sensitivity and understanding of those in Washington of the importance of our rural hospitals to Iowa agriculture.

Since 1980, the health care system, particularly, the rural health care system, has undergone unprecendented dramatic change. At the federal level, implementation of the diagnosis related group (DRG), prospective payment system, and heightened regulation of the practice of medicine through PRO utilization

review has dramatically affected the operations and finances of rural hospitals. There are several critical issues including 1) the changed use of inpatient, outpatient, physician, long term care, and home health care services; 2) changing payment systems that provide inadequate and inequitable payment to Iowa's rural hospitals and physicians; 3) the shortage of physicians, nurses, and other allied health professionals; 4) the excessive level and scope of governmental, payor and voluntary regulation which at times conflicts with one another; and 5) the ageing of rural Iowa which is the most critical and challenging issue.

CHANGED UTILIZATION

Since 1980, Iowa's rural hospitals have experienced a 41% reduction in admissions and a 26% reduction in patient days. This means that in 1987 there were 104,000 fewer admissions, 496,000 fewer patient days than in 1980. In addition our rural hospitals have seen a 53% increase in outpatient visits, a 29% reduction in births, and stability in the number of surgeries. A dramatic shift in the percent of outpatients has occurred. In 1988, 53% of the surgeries were done on an outpatient basis in our rural hospitals. Just a few years ago only 10 to 20% were done on an outpatient basis. Iowa's health care system has seen a growth in skilled nursing care through Medicare's Swing Bed Program. Growth in home health care, preventative and wellness programs which include screening and education programs, health life line programs, transportation services, supervised independant living and day care programs has also occurred. These diversification activities have reduced reliance on inpatient and emergency care, but generally speaking, no one service has been the "panacea" for the rural hospital.

CHANGING PAYMENT SYSTEM

Medicare's prospective payment system has dealt harshly with rural hospitals and physicians, the back bone of the rural health system. The payment amount to Iowa's rural hospitals and Iowa's rural physicians has been and continues to be inequitable. PRO regulation has had an influence on the pattern of medical practice in our rural Iowa. The combined effect of inequitalble payment and the regulated change in medical practice places rural hospitals and rural physician practices in jeopardy.

Payment differentials to rural providers, including myself, has shown that 30 to 40% differentials are not uncommon. Iowa's urban hospitals have received on average 30% more than the amount Iowa's small rural hospitals like mine are paid by Medicare. There has been a little improvement over prior years, thanks to the work of members of Iowa's Congressional Delegation. The lower fees paid to rural physicians discourage physicians from locating and maintaining practices in rural areas such as mine. Payment increases in the Medicare Program have not kept pace with our expenses. Reduced utilization, coupled with strict utilization review, has resulted in sicker patients being admitted to our rural hospitals, requiring additional resources for treatment and longer lengths of stay. Medicare payment increases have fallen short of inflation. The annual updates to Medicare payments over the past five years have totaled only 9.7% while hospital market basket inflation has increased 19.5%. Even

the Office of the Inspector General and Government Accounting Office agree that hospital Medicare profits have declined substantially over the last five years. The short falls in Medicare payment have caused hospital expenses to increase faster than their net revenues resulting in an erosion of profit margins. Profit is a misnomer! Our rural hospitals have consistently had negative patient revenue margins rangeing from -2% to -6% since 1982. In 1987, 32 of Iowa's rural hospitals had negative total revenue operating margins. Inadequate and inequitable payment is a critical rural Iowa hospital issue. Iowa has experienced two hospital closures and has seen a couple of our rural hospitals in a fragile financial state. Since 1980, nationwide, there has been approximately 206 rural community hospital closings.

PERSONNEL SHORTAGES

Shortages of various medical and technical personnel must be addressed to maintain access to health care services in rural areas. The reasons for shortages of various personnel are multifaceted and include inadequate payment or no payment, lack of educational programs, lack of students enrolling in available programs, lack of a rural orientation and experience in these educational programs, and various personnel issues, such as other career alternatives, no career ladder within a given profession and not being considered part of the health care team. Small rural communities have physician to population ratios of 1/3 the national average(1 physician per 1,887 individuals compared to 1 per 614 nationally). In 1985, Iowa ranked 46th in the number of individuals per physician, 807 people per physician, whereas nationally there were 555 people per physician. Recent information from the University of Iowa, College of Medicine, Office of Community Based Programs, show that 180 Iowa communities want and need approximately 350 physicians. In order to help address the physician shortage, full funding of the National Health Service Corps Scholarship and Field Placement Programs as well as the loan repayment program should occur.

The nursing shortage continues to be critical, particularly in the rural community hospital. A recent study completed by the Iowa Organization of Nurse Executives identified a current R.N. vacancy rate of 7.74% in rural Iowa hospitals. Our rural hospitals are hit doubly hard by the shortage because we are competing with the urban hospital for nurses and as a result are forced to increase salaries to attract and retain nurses. This becomes financially catastrophic when inequitable payment by Medicare to our rural hospitals is considered. Shortages of other health care professionals has reached critical dementions. Physicial therapists, pharmacists, respiratory therapists, radiology and laboratory technicians, are in very short supply. Strategies to address the shortages of health care professionals include the need for better payment(i.e. Medicare reimbursement), subsidy of education, emphasis on rural settings in educational programming, loan repayment programs, reform of malpractice insurance, and the creation of support systems for those practicing independantly in rural areas.

ONEROUS REGULATION

Iowa's rural hospitals are now operating under new Medicare utilization review

procedures implemented under HCFA's third scope of work. In addition, HCFA recently issued a Notice of Proposed Rule Making(NPRM) allowing the PRO to deny payment for substandard quality of care provided by physicians and providers. While our rural Iowa hospitals do not take exception to the principal that bad care should not be paid for, our hospitals do object to the presumption by HCFA that if bad quality of care occurs either by the physician or the hospital's staff, the hospital will always be denied payment. If that care was provided by a facility or a physician not directly controllable by the hospital, the hospital should not be denied payment. The new scope of work and the denial of payment for substandar care are onerous regulations which add to the expense of caring for the Medicare patient.

THE AGEING OF RURAL IOWA

The ageing of rural Iowa is another significant issue facing rural Iowa hospitals. Iowa has the fourth highest proportion of elderly in this country. Over 27% of Iowa's counties are reporting an elderly population in excess of 18%, and 42% of elderly Iowans reside in our rural areas.

In our rural hospitals, the elderly consume a disproportionate share of acute care services. Our elderly consumes the highest percentage of our discharges and patient days. As rural Iowa ages, the needs of the elderly are also changing. In addition to acute care needs, other health care, social or lifestyle services, and transportation services are now needed to keep the elderly in an independent, non-institutional setting. There is a lack of available post hospital care caused primarily by a lack of payments and prohibitive regulations on the acute care side. There is a need for a better discharge planning and coordination of services and sources of service information for the elderly. There is a need for portal-to-portal transportation services, lifeline services, and educational programs on Medicare supplemental insurance policies, various provisions of the Medicare Program, and the availability of various preventative, screening, diagnostic and treatment programs offered in our local communities. All of these services will create financial challenges for both the public and private sectors. If each of these issues are not appropriately addressed within the next few years, availability of and the access to health care services for our rural Iowans will diminish. The solution to rural hospital and rural health care issues is not only a question of payment; it is also a question of organization, community support, innovation, creativity, cooperation, and flexibility. The issues on the ageing of our rural Iowa are multifaceted and the solutions are complex.

WHAT IS NEEDED

I respectfully recommend the following actions for your consideration:

1) Adoption of a Federal health policy to allow and encourage rural hospitals to be the focal point for health and social service provisions. Removing payment and other regulatory obstacles will be necessary. Transportation and social services for rural Iowa should be underwritten sufficiently to assure access to and

coordination with acute, ambulatory, emergency, long term care, education, and social services.

2) Payment to rural hospitals for Medicare patients must be increased. The inequitable and inadequate payment to rural hospitals must be eliminated as quickly as possible.

3) Adequate payment for non-acute services is imperative. Federal policy has encouraged less inpatient care, more outpatient care, long term care and home health care. Adequate payment for these non-acute services must follow.

4) Rural hospitals must have regulatory and payment flexibility. Obstacles blocking rural hospitals from quickly responding to changing community needs must be eliminated.

5) Expensive, excessive and conflicting regulation and payment, utilization review, and certification standards must be identified and eliminated.

6) Additional funding is needed to support the training and placement of health practitioners, including physicians, nurses, and other allied health professionals in our rural setting.

Leadership in the development of our rural health policy and address of our rural health and hospital issues must come from Congress. Thank you for your leadership in the role you have played, and your consideration to continue to address our rural health and hospital concerns.

Thank you.

JAMES C. PRIBYL
U S WEST Communications
August 11, 1989

Mr. Chairman and members of the committee, thank you for the opportunity to discuss telecommunications and rural economic development with you today. My name is James Pribyl and I am the Director of Government Relations for U S WEST Communications in Iowa. I will begin by giving you some background information about U S WEST and then discuss our commitment to rural economic development. Specifically, I will address what we believe to be some of the relationships between our business -- telecommunications -- and the focus of this hearing, rural economic development. Finally, I will discuss some of my company's views of Distance Learning and it's tie to rural development.

U S WEST is a diversified corporation whose telephone operations, U S WEST Communications, serve fourteen states and cover approximately forty percent of the contiguous land area of the United States -- much of this being rural. In Iowa, we serve almost 900,000 customers, approximately 68% of the total lines in the state. In Representative Nagle's Third Congressional District, we serve more than 127,000 customers in twenty communities ranging from tiny Allison to Waterloo. We employ 3,200 Iowans and have a payroll of almost $91 million. We pay more than $46 million a year in state and local taxes and an additional $18 million in federal taxes. We plan to invest more than $78 million in new plant and equipment this year, including state-of-the-art central office replacements in Cedar Falls, Mason City, Livermore and Waverly. We also have a fiber optic network that covers more than 800 miles. As a corporate citizen, U S WEST contributes nearly a million dollars a year to a variety of charitable, educational, human service and economic development needs in Iowa. Last year, more than $200,000 was contributed to such causes in Mr. Nagle's District.

In short, U S WEST has a lot at stake and considerable interest in the economic well being and development of Iowa and our predominately rural fourteen state region. My company's prosperity depends significantly on the economic fortunes of the states in which we do business. Given the rural nature of our region, we naturally place a high priority on the economic development and revitalization of rural America.

We believe that modern telecommunications systems and information services will be one of the most critical links to the future economic prosperity of rural communities. New technologies can give rural areas greater choices in communications services and make them comparable with urban areas when it comes to attracting information-dependent industries. Geographic constraints previously inherent in rural environments can be reduced or eliminated by technological improvements that enable both businesses and residences to communicate in a far more effective and efficient manner.

Many corporations and other smaller businesses rank telecommunications as a key ingredient in their decisions to relocate or expand. Because much of the future economic growth in this country is projected to come from service-type industries which are increasingly information-dependent, modern

telecommunications is indeed a strategic infrastructure need in the economic development of any area. Rural areas, especially, are finding that telecommunications is much more than having a phone in every home. Indeed, a modern communications infrastructure is as vital to economic development today as paved roads and railways were a few generations ago.

There are numerous examples of the importance of a modern telecommunications system in helping rural areas become more competitive with their urban counterparts. For example, in Breda, Iowa an insurance and credit card telemarketing firm established a new sales center that employs 43 local residents in this town of a little more than 500 people. Another business that uses computers to dispatch trucks throughout the United States is expected to add an additional 30-40 jobs in Breda. The local telephone company's new fiber optic cable and accompanying capabilities made Breda an attractive location. Another example can be found in Carroll, Iowa where a California company that processes warranties has set up 50 new computers with the hope of employing 400 people, which would make it the county's largest employer. Another company, Citicorp, has been one of the more aggressive companies in locating its operations in rural areas. The company located a major portion of its credit card processing operation across our border in Sioux Falls, South Dakota. This operation, which depends heavily on a modern telecommunications system, is responsible for hundreds of jobs in that state. (Source: Wall Street Journal article, 2/2/89).

These are just a few of the hundreds of examples of how modern telecommunications facilities can enhance rural development. Where rural areas were once isolated from the customer base for businesses, technological advances now allow many companies to take advantage of the generally lower costs of living and other "quality of life" attributes of rural areas, while still maintaining that vital link to their customers and suppliers. U S WEST is continually working -- within existing regulatory and business constraints and limitations -- to invest in infrastructure and technologies to improve the quality and expand the range of products and services which can be made available. If our services and rural Iowa can together attract new business and stimulate existing business, the result is positive for us, for the community and for the economy as a whole.

While the emphasis on telecommunications may be a relatively new addition to the criteria used in the site selection process, quality and availability of education has always been a consideration. Businesses generally do not want to locate where their work force cannot be adequately educated and trained and have opportunities to further develop their skills and knowledge. On the other hand, communities with a good basic educational environment and opportunities for supplemental education are attractive places to live and work. Often, the rural areas of our country have not been able to provide the same or equivalent educational opportunities that can be found in urban areas. This has provided even more incentive for businesses to locate or relocate to those urban areas.

The link between education and economic development is clear. Without adequate schooling, businesses are not likely to locate in an area and without jobs, communities cannot survive. Fortunately for rural areas, technological

advances and a concept known as Distance Learning can greatly reduce the competitive advantage previously held by their urban counterparts in the area of education. U S WEST believes Distance Learning has tremendous potential to increase the educational opportunities in rural areas, thereby enhancing rural economic development.

Distance Learning, in effect, is any setting where the teacher and the students are physically separated from one another and have interactive capabilities. Many states are exploring this concept as a supplement to traditional teaching methods. In Iowa, for example, the legislature this year passed a law requiring the state to purchase or lease voice, data and video service for telecommunications for state agencies, including educational programming. Organizations that may use the statewide Distance Learning system include state agencies, schools, libraries, accredited private schools and nonprofit higher education institutions.

The Iowa example demonstrates that states are beginning to realize there are many direct benefits from Distance Learning. For example, it enhances and enriches educational opportunities for students and community members -- especially in rural areas. And it encourages multi-institutional cooperation and resource sharing. In addition, Distance Learning provides a connection between the educational institutions, from kindergarten to higher education, and businesses for training opportunities, access to market research and databases, consultation sessions, etc. Finally, Distance Learning can become a catalyst for upgrading of rural telecommunications facilities that will provide an additional attraction for new businesses.

U S WEST is supportive of Congressional action and the efforts of the Agriculture Committee to stimulate rural telecommunications modernization and Distance Learning programs. We offer the following suggestions for the development of such a program:

- **Distance Learning programs should be technologically neutral.** That is, the program should not be limited by a requirement to use a particular form of technology. This flexibility would allow the most appropriate form of technology to be used for each unique situation.

- **School districts should be given the option to lease versus purchase equipment and services.** Educational experts are most often not telecommunications experts. Lease options can therefore often provide not only the most cost-effective distance learning network, but also the most advantageous in terms of readily available "technology" experts.

- **For rural equity, it is essential that non-REA served areas are able to apply for grant monies.** The suggestion has been made that rural distance learning programs could be accomplished solely with an REA loan program. Because U S WEST and most other large telephone companies are not REA borrowers, yet we serve a significant portion of rural areas, such a limitation would deny funding for a substantial number of rural communities.

In summary, U S WEST is committed to serving the telecommunications needs of our customers. We believe there is a definite link between a modern telecommunications infrastructure and economic development -- particularly in rural areas. With respect to Distance Learning, we are excited about the potential educational opportunities our industry, in conjunction with Congress and the states, can present to rural and remote areas. As for rural economic development in general, U S WEST supports the development of regulatory and public policies which acknowledge the significant role the telecommunications industry can play in that development. I urge your support for such policies that encourage continued innovation and provide the appropriate climate and incentives for all telephone companies to modernize and develop their networks and provide new services in an expedited fashion, especially in rural areas.

Thank you for this opportunity to present these comments. U S WEST strongly believes the telecommunications industry has a significant role to play in the revitalization of rural America. We look forward to working together to achieve our common objectives.

To members of the Committee:

My name is Einer Lunde and I am the mayor of Northwood Iowa.

Northwood is a small community with a population of 2,200 people. We are the county seat for Worth County. Northwood is located on U.S. Hwy. 65 just south of the Minnesota border. We are 7 miles east of Interstate 35.

I am proud to be able to say that we are still a community of 2,200 which is the same as the 1980 census. To be able to hold your own during the decade of the '80s I feel is a major achievement. The past several years have not been kind to rural America and particularly to small town such as Northwood.

Let me give you a little background on what our community managed to do to help defend itself against the ag-related depression we have all been through.

Several years ago, residents of our community began to realize that industrial diversification was necessary. This was back in the early '60s. In 1964 a local development corporation was formed. Their first sucess was the location of a small industry called Carroll George, Inc. Carroll George, Inc. started as a sewing company that made items for the recreational vehicle industry. They have diversified over the years in Northwood but have always maintained a steady employment level.

We were unable to attract another industry during the intervening years until in 1980 we came in contact with a small struggling cabinet manufacturer called Fieldstone Cabinetry. This company was in need of a larger, more effecient manufacturing facility and additional working capital in order to survive. After 1 year of hard work and innovative planning, we were able to announce that

Fieldstone Cabinetry was going to locate a new plant in Northwood. This was made possible through the use of SBA guaranty financing and local innitiave. The community of Northwood raised $150,000.00 by selling debentures to approximately 100 local citizens. This money provided the required equity for the building.

Fieldstone Cabinetry started operations in Northwood in February of 1982 with 25 - 30 employees. The growth of this company has been absolutely fantastic. Today they employ approximately 350 people and have plans for further expansion.

Let me go back and show how Northwood improved upon the infrastructure to be able to accomodate a company like Fieldstone.

In 1972, Northwood recognized the fact that our water supply and storage capabilities were very limited. In the fall of 1973 construction started on a new 500,000 water tower and new large mains were laid to serve areas of our community that were not served by the municipal water system. The City used the Farmers Home Administration loan program to finance this project.

In the late '60s, the community recognized that our sanitary sewer was inadequate to allow for expansion. Northwood is located on a very flat terrain and extension of existing interceptor sewer mains was not feasible as the cover was too shallow. Much study and planning was carried on during the '70s without any successful funding being achieved. In December of 1980 Northwood was awarded a federal EPA grant to assist in this project. With the federal funding, a FmHA public facilities loan and local general obligation and revenue bonds this project became a reality in 1983. This project provided larger deeper interceptor sewer lines and a completely new wastewater treatment facility.

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Without the committment of the EPA grant and the assurance that this sewer project would happen, we could not have successfully located Fieldstone Cabinetry in Northwood.

I feel that our example shows the need for small communities to complete and update their infrastructure to accomodate industrial development.

Now I would like to continue sharing our experiences during the following years to show what a community can do with a public/private partnership to foster industrial job growth.

The City of Northwood recognized that during the economic downturn of the '80s we had to do something to assist our main street merchants to compete in the changing retail market. This market included an increasing pressure from the more urban retailing hubs such as Mason City and Albert Lea, MN. Our retailer were also faced during this time with declining numbers of farm customers due to the faltering farm economy.

In 1984, Northwood implemented a downtown revitalization plan to assist local merchants that wanted to expand or improve their place of business. This plan resulted in the construction of a new large drug store and also in the remodeling and renovation of an adjoining store. We have also seen the construction of a new convenience market since this program was passed. The revitalization program is not nearly as effective today due to the loss of tax-exempt status of IDR bonds.

In 1985, Northwood implemented an urban renewal plan to provide for tax increment financing in certain areas of our city.

Now I will show you how some of these programs have been put to use to assist in creating jobs in our community.

Fieldstone Cabinetry manufactured a product that targeted a market that did not seem to be affected by the economic downturn of the early '80s. Growth at this company during the beginning years in Northwood was constant.

In 1984, Fieldstone recognized a need in the market they served for a more moderately priced custom line of kitchen and bath cabinetry. The City of Northwood applied for and received a CDBG economic set-aside grant in the amount of $143,000.00 to assist in starting Heartland cabinets, a part of Fieldstone. Fieldstone financed the private portion of this project with a SBA guaranteed bank loan. The City of Northwood provided a tax abatement for the new expansion.

In 1986, Fieldstone was experiencing extreme growing pains and saw the need to expand their facilities again. The City of Northwood again applied for and was awarded a CDBG economic set-aside grant in the amount of $80,000.00 to assist in this new expansion. The City also issued $1,000,000.00 of tax-exempt IDR bonds to provide the private financing. The City of Northwood also used the tax increment financing vehicle by issuing $75,000.00 in TIF bonds to buy down the cost of additional land required for this project.

This expansion at Fieldstone which has been continual, has resulted in the creation of over 250 additional industrial jobs in our community. Many of these jobs were filled by displaced farmers and others were able to supplement their farm income with employment in Northwood.

In 1988, a new company was formed in Northwood called North Woods Corp. This company manufactures a wood-framed glass solarium. Assistance was provided to this company through another CDBG economic set-aside grant. The private capital was provided by the local bank with the asistance of a SBA guaranty. Currently 9 people are employed at this facility.

Just this year, Carroll George, Inc. recognized the need to expand their facility to serve an ever expanding and diversified market. To assist this project, the City of Northwood received for Carroll George a CDBG public facility component grant to extend a larger and deeper sanitary sewer line to serve this new facility. This project will result in an increase of employment at Carroll George of at least 40 jobs. The local match for this project will be handled with a TIF bond. Private bank financing will provide the capital need for the company.

I feel that this activity is the result of our city being prepared with adequate infrastructure and having a willingness to co-operate with the private sector to create industrial jobs. We have found that the CDBG program has worked very well for us.

The growth in industrial employment that Northwood has experienced in the last few years has created a new and different problem.

WE NEED AFFORDABLE NEW AND RENTAL HOUSING

If a total rural economic development program is to be created, it must address the needs of rural America to find affordable means to house the people we are attracting to fill the job openings.

Rental housing is very limited in Northwood. We have a developer working with FmHA to construct some new rental housing but it seems that FmHA is limited by lack of funding. We have had a housing committee working for the last 1½ years on this and have not been able to get any construction under way. Meantime, we have people wanting to move to our community where their job is located.

New housing in Northwood has not been booming due to a couple of limiting factors. The interest rate for new home loans is still prohibitive and the down payment requirements are beyond the young families ability. A new house in Northwood certainly is not going to cost what a new house costs in an urban area but it is still difficult if not impossible for the average working family to obtain.

Most of the normal home mortgage originators that were located in rural communities have in the past years been merged with larger institutions that are headquartered in major urban areas. Many of the small cities such as Northwood still have a branch office but the S & L is not actively seeking home mortgages. This affects not only the new house market but also the used home market. Many of these larger institutions are not familiar with local situations and are reluctant to commit loan funds to small towns.

The housing problem is a major obstacle to achieving the goals established years ago. These goals are to enhance our population base to compensate for the declining farm population. If Northwood and communities like ours are to continue to offer the quality of life enjoyed by our citizens we must find ways to make available affordable housing for the industrial workers that want to join our community.

Now that I have explained where Northwood has been over the last several years, please allow me to share with you what I feel would be necessary in a rural economic development program.

INFRASTRUCTURE DEVELOPMENT

Most small rural communities are in need of upgrading of their local infrastructure. I feel that this can best be handled through the existing CDBG program. I believe this program is working very well in Iowa and would provide the best delivery vehicle. I would suggest supplemental funding targeted at rural development. This could be limited to small cities under a particular population. This program could continue as it has in the past to provide financial assistance to industrial job creation.

Main street businesses in most small cities are struggling just to survive. Assistance to every small retail business is just not feasible. I believe that the best assistance that can be provided to retail merchants is creating more basic payroll and increasing the number of residents in the community. I feel that some assistance to retail could be provided by assisting communities showing some improvement in job creation and population. This could best be accomplished by providing assistance in the form of infrastructure improvements that will enhance the retail atmosphere in the downtown area. I also believe that the return of the tax-exempt status of IDA bonds for use by main street merchants would be of assistance in developing the shopping in rural communities. The use of these tax-exempt bonds could be limited to or targeted toward rural communities. This could assist our small town merchants in competing with the huge stores in the urban areas.

HOUSING

I believe that the best solution for our affordable housing problem would be a source of home loan funds targeted toward the rural communities. This, I believe could be best provided through the Farmers Home Administration home loan program. I see a great need for the FmHA to return to the conventional home loan such as was offered several years ago. I believe that if FmHA were to offer a conventional home loan with an affordable interest rate and require a minimal downpayment we would see quite an increase in new home construction in Northwood. The interest subsidy home loan program that is now in place is just not meeting the needs of our city. The type of home that is allowed to be built is just too restrictive and it is too restrictive in the qualifications for the applicant. Most of the people that are needing housing are above the income guidelines of this program and do not have sufficient income to qualify for a conventional loan that may not be available anyway. We need a good loan program to serve the moderate income family.

The rental housing problem should be solved with the FmHA rural rental housing program that is now in place. However, it seems that they are severely underfunded and may be a bit too restrictive in the type of rental housing allowed. This program or one very similar is of primary importance to communities the size of Northwood. We found out over the past 1½ years that it is impossible to attract private investors to build affordable rental housing in a community our size. The return and liquidity available in the urban areas is much greater, therefore, the small town cannot attract this capital investment.

In summary, let me say that rural development is going to be a very important part of America. I sense a definite trend in society toward rural living. I believe that many of our American citizens desire to move out of the urban areas to smaller towns. Jobs and housing must be available for this to happen.

Realistically, no program can be devised to assist every small town. A sincere desire and willingness must exist within a community to help itself. With this desire and a flexible, workable assistance program rural America can return to vitality.

Submitted by:

Einer Lunde
Mayor
Northwood, Ia.

Testimony for: House of Representatives Agriculture Subcommittee on Conservation, Credit and Rural Development.

DEVELPOMENT PLAN FOR CITY OF TRAER, IOWA

Presented by: Kent Holst, President
Traer Development Corporation
649 Second Street
Traer, Iowa 50675
319-478-8760

NARRATIVE SUMMARY OF PROJECT ACTIVITIES AND GOALS

The story we would share with other communities has two main points. We have tried to be very comprehensive in looking at Traer's total environment and all phases have been based on local effort.

In being comprehensive, we have tried to look at all the good and bad things about our community. Through an evaluation process, we then were able to address those areas needing attention and use our assets to our advantage. This has allowed us to keep the solutions to problems compatible with each other. The City didn't replace sidewalks without consulting with the Utilities on water mains and streetlighting. One person served on both the City Brochure committee and the School Brochure committee. That saved duplication of work. Efforts have been made to keep everyone informed of work going on in all areas so the impact of one project on another could be used to an advantage rather than a disadvantage.

Local effort has been key to any success we may be accomplishing. The City Council and Board of Trustees of the Traer Municipal Utilities had the foresight to set aside money for future needs. Then volunteers carried the ball to get projects done.

Getting the commitment for the projects may have been somewhat unique. Rather than someone defining a project and then trying to get volunteers to work on it, we flipped the process over. We first got large groups together to talk about Traer's future. Once they had defined the areas needing attention, then they were asked who wanted to work on which projects. By being a part of the decision making process that defined the projects, it seems to have heightened the level of commitment to work on the projects. Lots of hours from volunteers representing a good cross section of our community are resulting in much needed activities.

The needed activities identified were badly deteriorated sidewalks and streetlighting in our main business district, too many houses for sale, school enrollment getting to a marginal level, and a general lack of enthusiasm in the community. All of this was resulting in a lack-luster town, without much of a prospect for a dynamic future.

The impact of these projects is already being felt. Several homes have been sold under the incentive program, many compliments are being heard about the Downtown Renovation, enrollment at the school is up.

PROGRAM IMPLEMENTATION TIMETABLE

	Start Date	Completion
Downtown Project		
Sidewalks, Curbs, Gutters:	1 May 89	1 Oct 89
Street lighting	1 Jun 89	1 Oct 89
Storefront Design Work	1 Aug 89	1 Jul 90
City Brochure	1 May 88	1 Aug 89
School Brochure	1 Jul 88	1 Aug 89
Housing Incentives	1 Sep 88	1 Jan 90
Bike-Fitness Path		
Design	1 Jul 88	1 Jan 89
Construction	1 Sep 89	1 May 90

NARRATIVE SUMMARY OF THE COMMUNITY'S CAPACITIES AND PLANS FOR NETWORKING AND COOPERATION

We hope activities already accomplished have demonstrated our capacity to get things done in Traer. We obviously have spent a good share of previous cash reserves but they will be rebuilt and we see no end to our supply of volunteers willing to work. Future projects being planned include additional Downtown promotions, signage on edges of town to alert motorists that they are approaching a rehabilitated area, new housing subdivision, extensions of water, sewer, and electric services to an industrial site, and possible extension of the bike path.

Sharing of our actions with other communities has already started. One city has asked for a visitation to discuss our methods. We are happy to cooperate with anyone wanting our help. Also we have a continuing relationship with the Institute for Decision Making.

VOLUNTEERS

Volunteers have been the backbone of all our projects.

On the Downtown Project, a group of 6-8 volunteers worked for over a year in the definition of the scope of the project, architect selection, design of the plans, research, rebate plan specifications, and overseeing the progress. The Traer Historic Preservation Commission is all volunteers and will be active at least through 1994.

City Brochure was conceived, organized, and originally designed by a volunteer committee. About 6 months was spent on that stage. Then a commercial printing firm with design, copy, photographic, and printing capabilities was consulted. Their recommendations were used to redesign and rewrite the entire product.

About the same procedure was followed for the School Brochure except that it was all volunteer School employees doing the work.

All the work by the Housing Incentive Committee has been by volunteers. Much assistance was received from the Institute for Decision Making at no cost. About 9 months of preparation took place before the program was announced and their work will continue through the end of the year.

The Bike-Fitness Path Project has been in the planning stages since mid 1988. The only non-volunteer work was the engineering work on the layout plan. The local Jaycee organization has been heading up this project.

PROGRAM BUDGET (INCLUDING MATCH AND LOCAL SUPPORT)
SUMMARY

	Total Cost	Local Funds	Grant Funds
Downtown Project	$645,000	$635,000	$10,000
City Brochure	5,000	5,000	-0-
School Brochure	5,000	5,000	-0-
Housing Incentives	25,000	25,000	-0-
Bike-Fitness Path	25,000	10,000	15,000
Totals	$705,000	$680,000	$25,000

On the Downtown Project, all costs were originally intended to be funded with reserves of the City and Traer Municipal Utilities and assessments. However, the Rebate Program for encouraging storefront renovations has been so successful that the requests for help have exceeded the capacity of our volunteers. The $10,000 requested will be used to hire Architectural Services. The firm of Brooks, Borg, and Skiles is providing design work for the rest of the Downtown Project and would be hired to support our volunteers in helping building owners properly design renovation plans. We are trying to keep all work in conformance with Historic Registration Standards.

The Bike-Fitness Path Project will not provide direct economic returns but is considered a key element in our overall plan. It will add a quality to our lifestyle that is designed to appeal to the health conscious, families, and safety conscious people. It will show the home buyers we are recruiting that Traer takes care of its citizens.

Reasons To Choose A Home In Traer:

Taking the opportunity to purchase your own home in Traer makes good SENSE, and by taking the opportunity between June 1, 1989, and Dec. 31, 1989, Traer invites you to enjoy these DOLLAR incentives:

— free garbage pickup for six months.
— free family swimming pool pass.
— property tax rebates the first two years, paid to you in the form of Traer Dollars for the tax amount or $150, whichever is smaller.
— free Traer utility hook-up fees and waiver of utility security deposits.
— free social membership in the Traer Golf Club, with four rounds of green fees per couple.
— free hook-up for cablevision to your home by Heritage Cablevision.
— free telephone hook-up and deposits, paid by Traer Development Fund.
— free natural gas hook-up and deposits, paid by Traer Development Fund.
— $100 cash to help defray moving expenses, from Traer Development Corporation.
— $25 rebate on electric bill, each month for first six months.
— $20 Traer Chamber of Commerce gift certificate.

Traer banks are offering special incentives during this period, for those who choose financing with them for their own home in Traer.

(The brochure is held in the committee files.)

Brady J. Deaton, Ph.D.
Professor and Chairman
Department of Agricultural Economics
University of Missouri-Columbia

Testimony

U.S. House of Representatives

Committee on Agriculture

Subcommittee on Conservation, Credit and

Rural Development

INTRODUCTION

Chairman English and members of the Subcommittee, I am Brady Deaton, Chairman of the Department of Agricultural Economics at the University of Missouri. I am here today as a representative of a group of educators from the University of Missouri who are developing a conceptual framework for rural development research and education.* We are convinced that rural development must be addressed in a systematic manner and that public policy has not had the benefit of a cohesive analytical support system. First, we must clearly envision our goals - that is, the quality of rural and urban life we desire; identify those factors which will achieve these goals; and design institutions to guide progress toward these goals. Our response to this charge is our proposal to create a National Rural Development Research and Training Center.

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*Prominent members of this faculty group include Brady Deaton, Daryl Hobbs, Abner Womeck, Bill Heffernan, Ken Pigg, Ron Powers, Gail Imig, Paul Sundet, Bruce Bullock, Judy Heffernan, Jack Timmons and Don Littrell.

Therefore, I want to first provide a brief overview of rural conditions in Missouri which we feel mirror the national rural environment. Then, I will describe the basic components of the proposed National Center.

OVERVIEW OF THE RURAL ENVIRONMENT

The openness of the U.S. economy to the global market place creates new opportunities and exacerbates weaknesses in our rural economies. New sources of capital investments and export markets have stimulated job growth in some rural areas. In other communities, jobs disappear as they move abroad to lower wage countries. Sudden movements in the international market for goods and finance affect the viability of even the most remote rural community.

In the absence of strong federal and state policies that encourage balanced growth, the net effect of our current mix of economic policies leads to centralization of job growth and population movements, stretching thin the economic fabric of many rural places. National figures that are very familiar to this committee clearly reflect the seriousness of the resulting social and economic disparities.

In my own state of Missouri, 17 of our 114 counties are metropolitan. One urban area, St. Louis County, has a per capita income three times greater than that of some rural counties and far above most of the state. Excluding its 1986 per capita income of $19,069, the "adjusted" state average is $12,670. Yet, only two of the state's 97 rural counties have per capita incomes above this "adjusted" state average (Hobbs).

This disparity is only the beginning of a series of socio-economic indicators that can be cited to reflect growing rural and regional problems that now confront Missouri and most other states of this nation. The rates of poverty, school drop-outs, functional illiteracy, school achievement scores, unemployment and underemployment all reflect disparities of alarming proportions. Growing divergencies in the rates of poverty (18% in

rural areas, 12% in urban) represent a serious indictment of economic policies and political will.

After a decade of rural revitalization in the 1970s during which job population, and income grew more rapidly in rural counties, the 1980s reflect continuing deterioration of rural conditions. For example, the estimated migration loss of more than 600,000 in 1985-86 was larger than the average annual loss of the 1950s or the 1960s. Driven in part by high unemployment, the outmigration is further fed by deteriorating hospitals and social infrastructure. While some rural areas prosper, others flounder due to economic instability and a weak farm economy.

GOALS OF RURAL DEVELOPMENT

Most of us accept the notion that rural development is a broad-based process of improved life quality in rural communities. Accordingly, reasonable measures of life quality include positive improvement in such factors as health, educational achievement, employment, new job creation, housing, infrastructure, and environmental quality. We also recognise the importance of developing a sense of community, encouraging participation in the decision processes of the community, stimulating individual creativity, and of understanding the importance of economic efficiency in ensuring competitiveness in the global market.

Conversely, other reasonable indicators of life quality include measures that reflect the diminution of critical social and economic ills. Among these are measures of reduced poverty, unemployment and underemployment, school drop-outs, child abuse, crime and illiteracy, and environmental mismanagement. These factors are highlighted because research has been undertaken to reveal important interrelationships among these factors and between these measures and the national economy as reflected in measures of federal spending, monetary policies, changes in GNP, and agricultural policies. However, we feel

that a more substantial effort is needed to enlist our best minds in the challenge that now faces rural America.

Our most serious shortcoming has been the failure to:

(1) **organize** this research into a cohesive package of decision-relevant information,

(2) **validate** findings from diverse parts of the country based on different types of communities, and

(3) **identify** and **implement** new research that will provide a more comprehensive and cohesive knowledge base for understanding important dimensions of rural development.

Simply stated, our body of knowledge at this point is incomplete and lacks cohesion. Consequently, decision makers at all levels of government are not informed of even the most important relationships which affect rural life quality.

A National Research and Training Center is needed to address these needs. We recommend that:

- **a national Rural Development Research and Training Center be established to provide unbiased research-based knowledge to rural development leaders at the national, state, and local level.**
- **The analytical mode for the Center would be modeled after the design of the Food and Agricultural Policy Research Institute (FAPRI) which Iowa State University and the University of Missouri have so admirably nurtured.**
- **A FAPRI-type approach would help ensure that timely research is carried out systematically on an ongoing basis, responsive to the needs of rural development leaders at all levels.**
- **The proposed national center would develop a systematic data base and analytical approach that would provide a foundation for targeted rural development**

initiatives. The Center would draw on the best minds in our universities and use our most important resource - human resources - to help improve rural life.

- The leadership training component of this program would consist of providing systematic training in the research-based relationships among social and economic factors that shape important dimensions of rural life such as health care, education, employment creation, infrastructure, and environmental quality.

Training in these areas would encompass important innovative experience gained within Missouri and nationally on such issues as telecommunications, distance learning, alternatives for rural education, waste water management and treatment, innovative venture capital initiatives, Star Schools based on latest computer technology, and other pilot efforts which show promise in the processes of social and economic change in rural America. Our University's Extension Service and various academic departments, Agricultural Economics, Rural Sociology, and Community Development, have conducted extensive short-term and degree programs for national and international clientele which can serve as alternative models for the formal training programs envisioned in this proposal. Our success with the Kellogg Foundation funded Agricultural Leaders of Tomorrow (ALOT) program suggests the need for creating a parallel Rural Leaders of Tomorrow (RLOT) educational initiative. We propose such a program as part of the national center.

THE ROLE OF THE UNIVERSITY OF MISSOURI

Supporting this national center would be important strengths in rural development research among the faculty of the University of Missouri. The research thrust of the National Center would draw on the expertise in policy analysis and data management that

exists in both FAPRI and the Office of Social and Economic Data Analysis (OSEDA), functionally linking two nationally recognized centers of excellence. The Departments of Community Development, Rural Sociology, Agricultural Economics, Social Work, and other Social Science areas of the University have been in the forefront in addressing issues of rural economic development, particularly problems of rural institutions, venture capital, rural health care, community development, and rural educational systems.

The recently established Social Science Resource Unit in the College of Agriculture was created in order to take advantage of diverse strengths in the social science areas (including education) which bear directly on rural economic development. Departments included in the Social Science Unit are: Agricultural Economics, Agricultural Education, Community Development, Extension Education, and Rural Sociology. This innovative, future-oriented administrative structure provides a unique opportunity to address rural economic development issues.

The University of Missouri would provide the leadership for a national center associated with three or four different locations nationally, based on centers of expertise in other parts of the country. The Center would be guided by a national Board of Directors which could be drawn from public and private sector institutions. Among the Board should be included national cooperative leadership with which the University of Missouri has been clearly identified. Within the state, a Board of Advisors will be established.

ILLUSTRATIVE EXAMPLES

Some specific examples of related research will provide a clearer idea of the dimensions of the research program envisioned in the National Center. Basically, our objective is to provide an analytical framework that helps reveal the relationships between measures of improvements in rural life and other factors in the rural environment,

including aspects of social structures, public services, the rural economy, and the natural environment, recognizing that long run improvements in rural life must be based on sustainable patterns of resource use. Figures 1 and 2 will be helpful references for illustrating the complex interrelationships that must be addressed in a comprehensive research program. Such information is increasingly needed in order to enable citizens to work effectively with their elected leaders.

(1) Education and Economic Development

Important relationships between schools expenditures and educational achievement, on the one hand, and between educational achievement and growth in manufacturing employment, on the other, have been explored in empirical research. For example, research in one state, Virginia, revealed that a 10 percent increase in per pupil expenditures was associated with a nine point improvement in reading scores and a six point improvement in math scores at the eighth grade level (McNamara, p. 125).

Quantitative relationships between [illegible]ed test scores and the probability of manufacturing plant locations in r[illegible]munities were estimated in related research (McNamara, et al., 1984). In doing so, the analytical relationships between local initiatives to improve education and subsequent improvements in the local economy become more obvious.

(2) Rural Poverty and Rural Quality of Life

Extensive analyses have been undertaken that reveal the debilitating effects of rural poverty on health conditions, educational achievement, school drop-outs, and other important facets of rural life. The rate of poverty is perhaps the single most powerful indicator of how well we are doing as a society. Certainly, it is the most

powerful determinant of the variation in standardized achievement scores of high school youth, explaining 60-70 percent of national variation in various studies (Hobbs, 1989).

(3) Economic Development and Rural Infrastructure

Rather extensive research has demonstrated that the effects of rural infrastructure, including the quality of industrial sites, on manufacturing and service firm locations and employment generation can be measured in statistical terms (Johnson et al.,; Smith, et al.). These relationships vary by type of community, geographic location, quality of local leadership, and by the historical patterns of social and economic change. Verifying the nature of these relationships provides invaluable guidance to local leaders who must make difficult decisions about public expenditures and tax burdens.

(4) The Impacts of Economic Change on the Tax Base and on Demographic Changes

A body of research has accumulated to guide the design of comprehensive impact analyses. These tools become critical decision guides for local leaders who must anticipate the quantity and quality of changes in the local economy. Revenue forecasting and projections of population mobility are important determinants of local planning efforts to establish school locations, health services, fire and police protection, and solid waste disposal.

(5) Income and Quality of Life

Research in low income areas has shown that the level of income, the distribution of income, and the stability of income are three important determinants of rural life quality. Income determines an individual's, or a family's, access to and control over the material dimensions of life. Income is also the basis of an incentive system which influences day-to-day decisions. Accordingly, the ability to earn a

reasonable, steady income is a foundation of one's self worth and a basis for more certainty and optimism about the future (Kraybill, et al.).

(6) Agricultural Policy and Rural Development

The health of U.S. agriculture is still an important determinant of rural development, though we recognize that many rural conditions in many communities remain unaffected by changes in agricultural conditions. Nevertheless, the linkages of input and processing sectors to farm production critically determine the level of well-being in many parts of the country, particularly here in the mid-West.

Of even greater importance is the growth in off-farm job opportunities for members of the farm household. Farm policies can be important determinants of the aggregate cash flow that buoy up the rural economy. Accordingly, variations in prices driven by international trade, per capita income changes, or conservation reserve programs, determine, in part, the range of economic opportunities available to rural citizens.

(7) Police Services and Rural Crime

Rural crime rates are related to the economic dynamics of the rural economy. The expected per capita quantity of crimes committed is significantly correlated with the probability of confinement for committing the crime and the degree of income inequality in the community (Deaton, et al., 1984). The causal chain of events suggested by this analysis reveals the critical nature of police and judicial infrastructure and economic development.

Briefly stated, conditions of economic instability are conducive to increased crime rates. Simulation analysis of these conditions revealed that more crime was created by increased manufacturing employment than was offset by the beneficial

impacts resulting from higher tax revenues and corresponding increases in the police force.

BENEFITS OF A NATIONAL CENTER

These examples of research represent sporadic and uneven attempts to address vital aspects of rural development. Some of the relationships established statistically serve only to confound the policy process in the absence of more refined research. for example, the attached charts which map high school drop out rates and standardized test scores for the nation reveal a general correspondence between lower standardized scores and high school drop out rates.

These relationships can not be so readily established because the areas of highest drop out rates are also among the most rapid areas of job and population growth in the nation. In fact, of the 43 Standard Metropolitan Statistical Areas (SMSAs) whose populations increased by 20 percent or more over the period 1980-87, 33 were in the states of California, Florida, and Texas where drop out rates are among the highest in the nation. (Data provided by Missouri State Census Data Center.) By contrast the upper mid-West fares particularly well on standardized test scores of high school graduates and experiences much lower school drop out rates. Yet, these areas have not fared so well economically.

The web of such cause and effect relationships are complex. Research is needed to simultaneously examine the structural aspects of economic change, the behavioral dimensions of the family, and the dynamic social conditions underlying these and other relationships identified above.

We now have the computer technology, the analytical and management expertise and the professional capacity to provide more comprehensive, decision-relevant, information to guide public and private decisions at all levels. One of the most effective roles of federal policy would be to insure that this expertise is made accessible to state

and local leaders where important rural development decisions are being made on a daily basis.

The research, teaching, and extension missions of our land grant universities continue to be able and willing partners in addressing the needs of rural America.

I thank you for this opportunity to share my ideas with you.

(Attachments follow:)

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FIGURE 1

Information Needs for Democracy

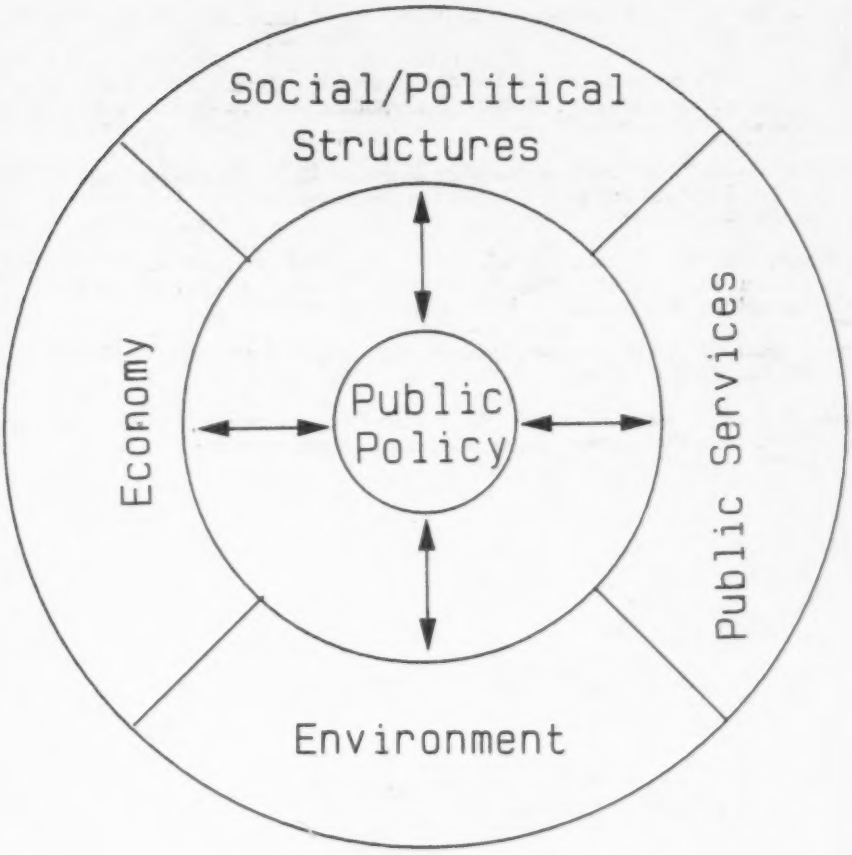


FIGURE 2

Information Needs for Democracy

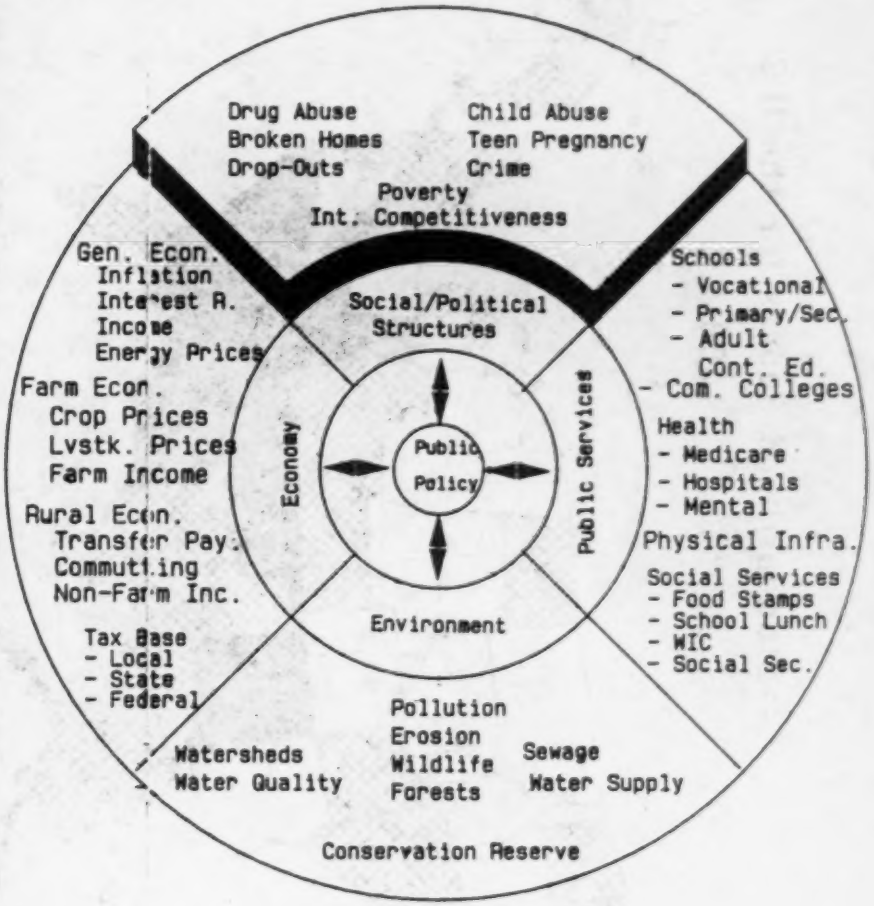


FIGURE 3

Standardized Scores for the U.S.
1988

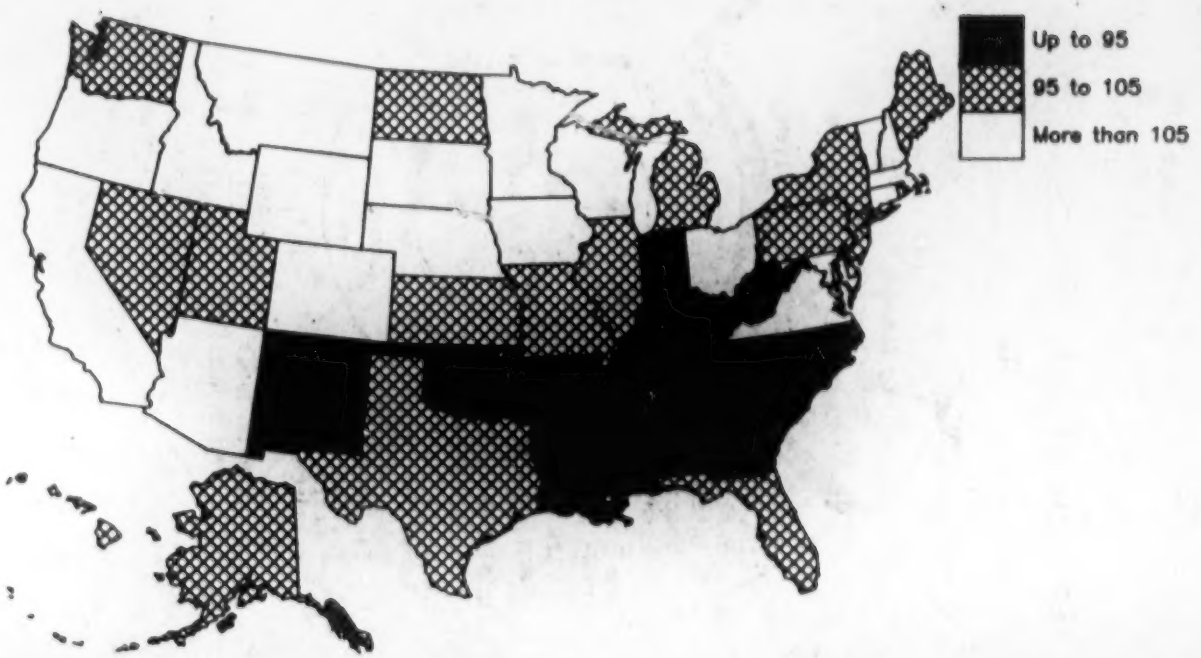
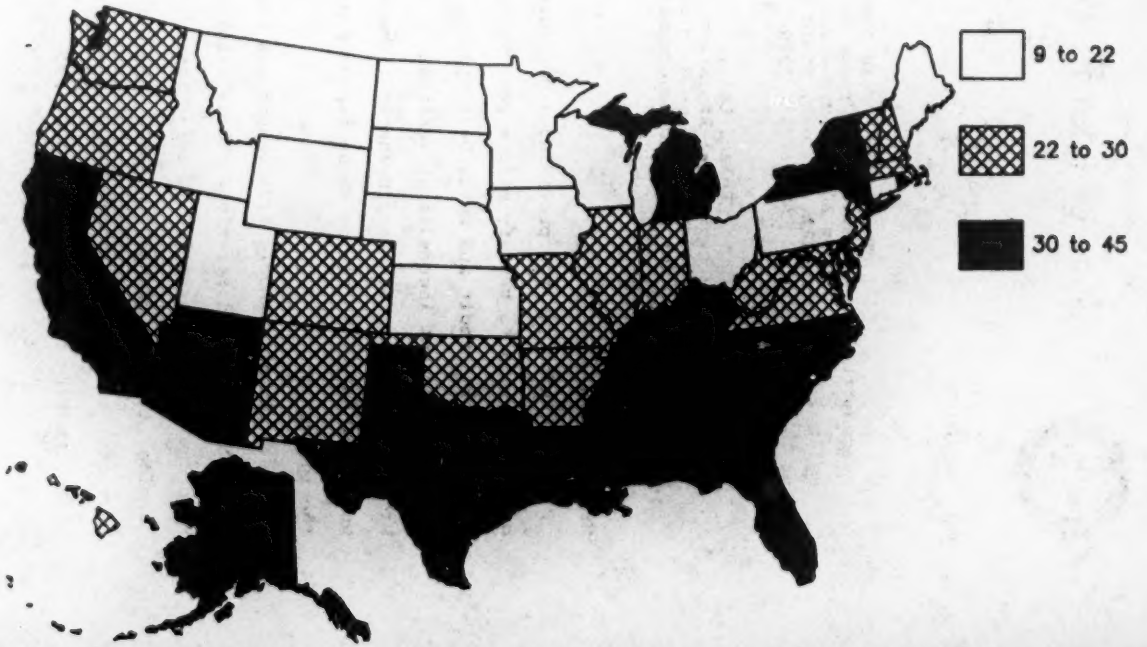


FIGURE 4

High School Drop Out Rates

1987



STATE OF SOUTH DAKOTA

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Testimony Before the
Subcommittee on Conservation, Credit and Rural Development
House Agriculture Committee
Marshalltown, Iowa, Field Hearing
August 11, 1989

Roland Dolly
Special Assistant
to Governor George S. Mickelson
for Economic Development

Mr. Chairman,

Thank you for providing a convenient forum for the state of South Dakota to testify before your Subcommittee on Conservation, Credit and Rural Development. Your attention to rural development issues is appreciated by our Governor, George Mickelson. I know Governor Branstad is here today, and we have worked closely with him on these issues and will continue to in the future.

Rural economic development has been the "flagship" of the Mickelson administration. It is vital to our economy that we keep the small towns alive in rural areas. To do that, we have to consider a lot of things, including the delivery of many basic services, such as health care, public safety, and decent, safe infrastructure to these isolated areas.

Rural economic development means a sound agricultural economy, but also an economy that is diversified to avoid wide fluctuations in the state's economy when disaster strikes our agricultural economy. We are "putting more of our eggs" into value-added agricultural products and small- to medium-sized manufacturing firms.

Many states are doing more for themselves and doing it successfully.

In South Dakota, we have an unemployment rate of approximately 3.5 percent and our economy continues to grow at a good pace--even in the face of two years of drought. This type of growth has not happened by accident. It is occurring because we have paid attention to our economy and done our best to address its needs.

We have been told for years now--probably going back to the Nixon administration--to take on more responsibility at the state level for everything from economic development to health care. The states have responded admirably, but not without facing and accomplishing many difficult tasks.

Since George Mickelson has been Governor of South Dakota, we have learned of many tremendously innovative programs that have been spawned by necessity during this time of federal budget retrenchment which, by the way, is understandably necessary.

Just in my state of South Dakota alone, over the past two years, our legislature and the Governor have taken on some tough measures to be creative in steering our state into its

second century of statehood. Some of you have heard about these programs before, but I'm going to mention them to emphasize a point. Over the past two and one-half years, we have created:

REDI Fund--A $40 million revolving loan program for economic development.

Future Fund--$4.8 million annually to enhance the research capabilities on our state-funded university campuses. We increased state funding for research by forty-six percent last year with this fund.

CRP Enhancement Program--provides the farmer with an up-front cash payment equivalent, on a present value basis, to the ten-year value of his CRP contract. Our first bond issue was worth $10 million and we are now preparing a second issue of approximately the same size.

Livestock Loan Program--is designed to provide capital to livestock producers, especially those hurt by the drought.

Division of Rural Community Development--to make a "one-stop" shopping menu for small communities. This division is prepared to help them with anything from rural health care to economic development projects, to water and sewer problems. The idea is to have one operation in place that can address all of a small community's needs instead of making them weave their way through several agencies of state government. One telephone call is all that must be made to connect local public officials with all of the state resources.

By the way, we accomplished this without asking for more FTEs or budget authority. We defined a priority and then that is where we placed our resources. In some cases, we asked state employees to take on a little more and their response has been great.

Office of Rural Health--This office was created to pay special attention to health care delivery services in the most rural areas of our state, especially in the area of recruitment of doctors.

Mr. Chairman, I've mentioned a few of these items to make a point. If the Congress senses that some governors are a little frustrated by the rural development legislation that has passed the Senate, it is because we have all worked so hard to put these types of tools in place only to have them, apparently, ignored.

The bill in the Senate completely by-passes state governments and again creates another federal organization for state and local governments to get acquainted with. A whole new federal infrastructure would have to be put in place to accommodate this new program with only $300 million authorized. The bill creates a program that duplicates existing FmHA and SBA authorities. In fact, there are already over two dozen federal agencies delivering economic assistance to rural areas.

I urge Congress to "block" those funds out to the states so that we can put them to work to meet the most critical needs of our states.

We are back home every day living with the challenges in our states--we really do understand what the priorities are.

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If Congress does not trust us to spend the money properly, then just use the $300 million to increase our CDBG funding. South Dakota has been administering this program since 1982, and has passed nearly $50 million on to cities and counties in the state and receives high marks during its monitoring visits. In my state, the CDBG program is one of my most effective tools to meet the infrastructure needs of small communities and to improve services in rural areas.

We do not ask the Congress to take the whole load. Most of us have created new revenue sources that are being used to match federal dollars. I've mentioned several of them previously. We understand the budget situation, and also want to see it resolved, but we can deal with the budget deficit and continue to support rural development by giving us more flexibility with the federal dollars that we have and spending our dollars smarter by prioritizing, not by creating new bureaucratic administrative costs.

THE INFRASTRUCTURE TO DELIVER ECONOMIC ASSISTANCE TO RURAL AREAS ALREADY EXISTS IN THE STATES, AND IT HAS BEEN PROVEN THAT THE STATES HAVE THE ABILITY TO COMPETENTLY AND FAIRLY DISTRIBUTE FUNDS TO RURAL NEEDS.

Mr. Chairman, in talking with your staff, I know you are "open" to suggestions, and Governor Mickelson applauds you for going through this process. It is important for you to know how we feel about rural development out here--and your willingness to listen is appreciated.

Mr. Chairman, I'd like to close my remarks by mentioning one other issue.

As you have all heard, there is a proposal on the Hill to sunset small issue, private-activity, tax-exempt IDBs. We oppose this proposal.

In my state, we have developed a good infrastructure for delivering solid financing to small manufacturers and an important component of that system, in many cases, has been industrial development bonds.

The lower interest rates and longer terms give us an opportunity to encourage manufacturers to expand and create jobs. By eliminating this authority, we are most certainly choking off one of the most effective tools we have for economic development.

Keep in mind that small issue IDBs are not subsidies for large corporations. The $10 million capital expenditure limit allows only small, growing businesses to access the program.

The statewide IDB limitation forces us to be very selective with the use of this tool, and targets the assistance to the most deserving.

It is my understanding that Chairman Rostenkowski is marking up a tax bill that likely will address the issue. It is my hope the chairman will see the need to maintain the authority for tax-exempt IDBs.

Thank you, Mr. Chairman.

STATEMENT OF

JACK BAILEY
IOWA AREA DEVELOPMENT GROUP
ON BEHALF OF
IOWA ELECTRIC COOPERATIVES

Mr. Chairman, members of the subcommittee on conservation credit and rural development.

I am Jack Bailey, Executive Director of the Iowa Area Development Group. I also appear here today as Chair of the Rural Development Committee of the American Economic Development Council and as an officer of the National Professional Rural Utilities Developers Association.

The Iowa Area Development Group was established in 1986 as the first state consortium of member-owned electric utilities, both rural and municipal, whose objectives are to:

... stabilize electric power rates in a declining rural economy,
... create investment in rural areas,
... diversify the rural economies, and
... to create employment opportunities for our rural people.

Since our inception we have, in cooperation with the State of Iowa, the counties and communities we serve, and other utilities - electric, water, gas and telephone - investor-owned and member-owned, facilitated the start-up, expansion and/or relocation of 156 projects throughout our state in manufacturing, processing and the service business.

In three and one-half years these projects have generated in excess of 5,500 new jobs for rural Iowans and new investments of $360,000,000.00

This occurred as a result of community education and training, research and analysis, marketing and commitment by our member cooperatives to invest in rural

development. We, who practice in the field of rural development, believe those five components are key to any successful rural development program.

I would like to comment briefly on each:

COMMUNITY EDUCATION AND TRAINING - We utilized a program developed by the University of Arizona which was purchased by Basin Electric Cooperative and highly praised and evaluated most effective in 86 communities across Iowa. This program which is now being utilized in many states to assist rural communities to analyze their resources and develop economic development strategies should be replicated throughout rural America by Extension Service and the rural electric, water and telephone utilities.

To educate those persons doing rural development, the Professional Rural Utilities Developers group in cooperation with the University of Oklahoma .... which for years has been the primary economic development education institution for our nation .... will launch a Rural Development Institute in January of 1990. This new professional education program will contribute greatly to rural development expertise. The committee should consider assisting this program with a grant to the University of Oklahoma Department of Continuing Education.

RESEARCH AND ANALYSIS - The Iowa Electric Cooperatives retained the Battelle Research Institute to develop a rural targeted industry analysis for our state. This study examined the resources and infrastructure of the rural region of this State and identified those industries which best fit an Iowa rural location. This study is being utilized by rural communities to develop their respective strategic planning.

MARKETING - The Battelle study has been supplemented by a marketing analysis,

paid for by the electric cooperatives, through Integrated Market Research. With this in-depth research and long range marketing strategy for rural Iowa has been put in place and is obtaining results.

COMMITMENT - Your legislative action over the past twenty-four months to increase the abilities of the cooperative utilities to invest 15% of their assets in rural development as well as the new cushion of credit loan program is having a positive impact on rural development.

I have attached a number of case studies to this statement which demonstrate how we are packaging development projects in the rural areas of Iowa.

You will note, the participation of the State in each of these. The State has been most instrumental in rural development.

The major federal rural development program has been the Department of Housing and Urban Development's Community Development Block Grant program.

This program should be maintained.

The second key federal program that has been facilitating rural development has been the small issue industrial revenue bonds. We were pleased that the Ways and Means Committee has agreed to extend this program through December 1991 and encourage positive action by the Congress.

That Committee has also voted to extend the targeted jobs tax credit. It is our conviction job tax credits is a tool which you should pursue to enhance investment and job creation in rural areas. This tax credit should be designed in order that a company can carry it forward for up to ten years.

There has been some float of an administration rural enterprise zone program. Those of us in rural development cannot perceive that the establishment of 50 or 100 such zones could achieve any equity in rural Iowa or rural America.

We do believe that the element of tax credits found in enterprise zone legislation would enhance investment and job creation in rural America and that your committee consider the utilization of such to stimulate rural community and economic development in our nation's non-metro counties.

Finally, our research indicates we have a developing to sever housing shortage in rural Iowa. This shortage when accompanied by inadequate water and sewer infrastructure in rural communities is a deterrent to economic development activities.

The rural electric cooperatives have initiated a pilot rural housing program in Stanton, Iowa and in cooperation with the National Cooperative Development Bank intend to expand this program in Iowa.

Personally, I believe it's time for a change in the federal governments rural delivery system. It's time to consolidate the infrastructure assistance programs; water, electric, telephone, housing and waste under one umbrella in the federal scheme ... call it the rural utility administration ... or whatever you prefer but let us get on with the task and a delivery system which minimizes the barriers to access for rural people ... the inequities in formulas, applications and treatment. Develop programs and regulations which are not prescriptive ... but performance-based not process ... but product/results oriented.

Avoid "traditional" targeting measures like unemployment, housing, age, income,etc.

Or use in combination with measures/criteria that consider factors such as opportunity, feasibility, soundness of planning and trends.

Thank you.

(Attachments follow:)

PROJECT TYPE: Business Development: Young, Fast-Growth Expansion

PROJECT OVERVIEW: Relatively young, fast-growth companies often expand faster than internal resources allow and frequently have debt financing needs that exceed bank's capabilities. The "Financing Rural Economic Development Program" (FRED) is one resource available which offers a reasonably attractive debt financing alternative.

RESOURCES USED: Financing Rural Economic Development Program (FRED)

PROJECT DETAIL: The company is a four year old machine tooling business located in rural area. The company performs high-tech/high-tolerance machining on multi-component parts under contract to over 40 original equipment manufacturers (OEM's) in the U.S. and internationally. The company has experienced rapid growth due to its attention to quality, its precision, and its flexible production systems using state-of-the-art machinery and equipment. Its reputation for quality and responsiveness has generated so much business that the company has never employed marketing nor sales staff. Sales have increased from $200,000 in 1985 to $3,000,000 in 1989; work force has grown from less than ten (10) in 1985 to over 50 in 1989.

In 1988 the company was offered several contracts which would add over $2 million in sales during the next 3 year period. In order to accommodate the added production, the company needed to expand its plant and acquire approximately $400,000 worth of new M & E. The company was able to expand its building with its own funds but required new debt to acquire the necessary "CNC" machines. The company's bank was interested in providing the funds but was at its lending limit; existing debt had exhausted the SBA capacity to guarantee new debt.

The solution was a loan from the FRED program; as part of the overall financing, FRED has agreed to provide $300,000 on a 10 year term at a rate between 9-10%. NRD & FC, the administrator of the FRED program, will receive senior liens on the new M & E and personal guarantees from the owners of the company. The overall financial package for the project was structured thus:

	Uses	Sources
Building Addition	$120,000	$120,000 Owners
Machinery & Equipment	$400,000	$100,000 Owners
		$300,000 FRED
TOTAL	$520,000	$520,000

BUSINESS BENEFITS:
- Able to efficiently and profitably meet customer needs
- Increase sales and profits
- Secure fixed rate, relatively low cost and long term debt

COMMUNITY BENEFITS:
- 20 new jobs over a 2-3 year period
- Retention of the company
- Increased capital investment
- Increased property tax base
- Increased sales to local vendors

UTILITY BENEFITS:
- Retained a valuable customer
- Retained existing load
- Enhanced public image by assisting in the efforts to secure the FRED loan

COMMENTS: Without the continuing efforts of the bank and the availability of the FRED loan through the REC economic development program, this company would have been unable to satisfy the new contract opportunities and may have jeopardized its existing customer relationship.

PROJECT TYPE: Business Development: Business Retention and Expansion

PROJECT OVERVIEW: Established small manufacturers are often unable to effectively cope with national market changes. A small rural manufacturer of ag implements tried to cope, failed and was acquired by an out-of-state company. By effective use of the Economic Development Set-Aside (EDSA) program and the cooperation of many organizations in and near the community, the original plant (employing 150 people) was not only retained but an expansion will now occur in 1989.

RESOURCES USED: Community Development Block Grant Economic Development Set-Aside Program; property tax abatement; electrical rate discount (Rural Electric Cooperative); New Industrial Jobs Training Program.

PROJECT DETAIL: The failed company was originally acquired by the larger Eastern firm in order to secure product lines, customer lists, market rights and M & E. Once the acquisition was completed, the new owner recognized an opportunity to maximize the productivity of their new facility and to blend this with its plans to add new product lines and to diversify.

In order to take advantage of this opportunity, the owners had to be convinced that locational advantages existed at the new facility that exceeded those at the company's other locations. To demonstrate these advantages, community organizations put together information and a package of financial assistance that ultimately convinced the new owner to retain the original facility and expand it.

The key to the financial package was a $150,000 direct loan made available to the company via a grant to the county government under the Community Development Block Grant EDSA. The State granted the $150,000 to the county; the county will then lend the funds to the company at a fixed 3% rate, 6 year term, and with debt repayments deferred for two (2) years. With this structure, the county gets to keep the loan repayments and will establish a county-wide revolving loan fund. The overall financial package was:

	Uses	Sources
Land & Building	$125,000	$125,000 Company
Machinery & Equip.	225,000	150,000 CDBG EDSA
		75,000 Company
Working Capital	4,000,000	3,000,000 Bank Line of Credit
		1,000,000 Company
TOTAL	$4,350,000	$4,350,000

In addition, as part of the package, the county will provide property tax abatement, the rural electric coop will discount electrical costs (worth $12,000 over a 2 year period), and over $75,000 in job training funds will be provided through the area college.

BUSINESS BENEFITS:
- Cost effective and profitable expansion
- Higher productivity
- Low-cost debt financing

COMMUNITY BENEFITS:
- Retention of 150 jobs
- Creation of 50 jobs
- Retention/expansion of a major county employer
- Added tax base
- Increased local economic activity

UTILITY BENEFITS:
- Retains and expands load
  New jobs
- Assists in maintaining community viability
  Community and member image enhanced

COMMENTS: The cooperation among various community based organizations, their resources, and the State EDSA program combined to achieve a success, retaining and diversifying the economic base in the area facilitated by the REC.

(2)

PROJECT TYPE: Business Development: Assistance for Existing Business Expansion

PROJECT OVERVIEW: Existing manufacturing businesses form the basis for economic activity in many rural communities. Such companies often find it impossible to finance growth through conventional means. The Small Business Administration's 504 program, the state Department of Economic Development's Community Economic Betterment Account and local public and private resources may be combined to provide the necessary finance for a growth-project to proceed.

RESOURCES USED: Small Business Administration 504 Program; Community Economic Betterment Account Program; city loan.

PROJECT DETAIL: For over 20 years, a community of 1,600 people has been the home of a family-owned manufacturer of building components. The company has experienced gradual but steady growth and found itself in need of a major plant expansion in 1987 in order to sustain its growth.

The company, working with community and regional officials, distribution cooperative, and its bank, determined that it needed a building addition and some remodeling of its current facilities as well as new machinery and equipment. These costs were estimated to total $1,470,000. In assessing its resource capability, the company determined that it could provide only a small amount of new cash to the project, reserving the balance of its funds for operating costs, new marketing, etc. To cope with this shortage of "equity", a package was developed as follows:

$ 50,000	Company
10,000	REC
60,000	City (Subordinate Loan)
735,000	Bank Loan
500,000	SBA 504 Debentures via Regional CDC (Certified Development Company)
115,000	CEBA (Grant)
$1,470,000	

This "classic" SBA 504 package allowed the company's, cooperative, city's and CEBA contributions to be viewed as "equity", enabling the bank and the regional CDC to employ the SBA 504 program.

BUSINESS BENEFITS:
- Minimized direct cash participation
- Lower cost fixed asset financing

COMMUNITY BENEFITS:
- 40 new jobs
- Increased tax base
- Increased tax revenue

UTILITY BENEFITS:
- Retained customer
- Added new load
- Enhanced image

COMMENTS: A typical, sound package for all involved.

3

PROJECT TYPE: Community Development: Public Works/Infrastructure in Support of a "Recruited" Business

PROJECT OVERVIEW: Many rural communities lack manufacturing businesses and are actively recruiting such companies in an effort to diversify and enhance the local economy. Communities which attract out-of-state ("recruited") businesses must then be willing and able to provide the basic facilities and services required by manufacturers. A cooperative effort, involving shared risks and benefits among a variety of organizations, is an increasingly popular method for accomplishing projects.

RESOURCES USED: Urban Renewal/Tax Increment Financing; Municipal Revenue Bonds; non-profit local development corp; telephone cooperative contribution; municipal utility contribution; State; county government contribution; D.O.T. Economic Fund.

PROJECT DETAIL: An out-of-state manufacturer, seeking a location for its second facility, identified a rural community (pop. 900) as a possible site, provided public services were available and a suitable facility could be provided. The company offered new employment for 75-80 people and significant capital investment.

After discussing the company's needs and resources available, the following package was prepared:

	Uses	Sources
Land	$ 25,000	$ 25,000 State Program (DED)
Site Preparation	25,000	15,000 Local Telephone Coop.
		10,000 Local Elec. Utility (supplied by REC G&T)
Utility Extensions	160,000	60,000 City (Sewer, Water, Etc.) - TIF
		50,000 Local Phone Coop.
		50,000 Local Electric Utility
Building Const.	400,000	300,000 Local Bank (8.75%/15 Yr. Term)
		100,000 State forgivable loan
Street Improves.	380,000	80,000 County
		300,000 Dept. of Trans. Street Improvement Program
M & E	475,000	475,000 Company
Relocation	40,000	40,000 Company
TOTAL	$1,505,000	$1,505,000

To make this package effective:
- The city created an urban renewal area and TIF District and sold $60,000 in TIF revenue bonds;
- A local bank agreed to loan the community's development corporation $300,000 (at very attractive terms) for building construction;
- Another neighboring community bank agreed to buy the city's $60,000 TIF revenue bonds (tax-exempt);
- The county and the Department of Transportation 's Program invested funds to build new road access to the site.
- The DED's Program provided a $125,000 grant; and
- Local utility providers contributed cash and services worth $125,000.

In return, the company signed a long-term lease for the building, invested over $500,000 in new and relocated machinery and equipment, and will be creating up to 80 new jobs.

BUSINESS BENEFITS:
- Reasonably priced, new space tailored to its needs
- Complete utility services at no capital cost

COMMUNITY BENEFITS:
- 80 new jobs
- Enhanced tax base and tax revenue
- Diversification of local economy
- Spin-off economic impacts

UTILITY BENEFITS:
- New customer
- New load, 1.5 mwh

COMMENTS: Job training assistance from the area community college also was involved in this good example of an effective partnership development.

4

PROJECT TYPE: Assistance to a "Start-up" Business

PROJECT OVERVIEW: Faced with the need to diversify a volatile local agricultural economy, a northcentral rural community seeks to attract high-tech industry. A West Coast company president found the local community's labor force to be educated and productive. The community offered incentives which would minimize start-up costs and allow the company to get a head start in a competitive industry.

RESOURCES USED: City loan, bank loan, distribution rural electric cooperative loan, generation and transmission rural electric cooperative land contribution and infrastructure development, state Community Economic Betterment Account (CEBA) grant.

PROJECT DETAIL: A high-tech firm sought to establish its manufacturing facility and headquarters centrally to serve a national market. Seeking to hold down start-up costs and concentrate on cash flow, the company found welcome assistance from a northwest Iowa community striving to diversify the local agricultural economy.

As owner of the local industrial park, the generation and transmission REC donated five acres of land valued at $7500.00 per acre and extended service to the site at a cost of $22,000.00 to the utility. The State awarded $250,000.00 in forgivable loans with the promise the company would create at least 139 new jobs in the community in two years. The city and the bank provided construction and M&E loans and the distribution REC offered an $8500 loan to finance the facility's earth energy heating system. Total incentives to the company included:

Land (5 acres)	$37,000	G&T REC
Sewer Extension	22,500	G&T REC
Building and M&E	250,000	State forgivable loan
	150,000	City forgivable loan
	300,000	Bank
Heating System	8,500	Distribution REC
TOTAL	$768,500	

Through creative financing on the part of the community, the project became a reality.

BUSINES BENEFITS:
- New manufacturing facility and headquarters
- Community assistance freed up cash flow
- Low-cost financing

COMMUNITY BENEFITS:
- New, good quality jobs
- Diversification of agricultural economy
- Increased property tax revenues

UTILITY BENEFITS:
- Load growth
- Load diversification
- Stabilized generation costs
- Good public relations

PROJECT TYPE: Speculative Building Program

PROJECT OVERVIEW: Project objective is to make available an attractive, competitive, practical building shell for commercial/industrial use on short-term notice. The availability of such a building increases new business prospect activity in the community.

PROJECT DETAIL: It has been determined by state economic development organizations and consulting/research groups such as Fantus and Battelle that there is a demand from new and expanding industry for existing industrial buildings to afford a quick transition from one facility to another with minimum interruption in company operations. Some groups put the number of companies requiring an existing building as high as 90%.

Recognizing this need, the distribution rural electric cooperatives have established and offer a speculative building program to the communities it serves. Under the program the cooperative, in conjunction with its generation and transmission cooperative, will provide gap financing to enable communities to afford such a project.

In early 1989, a 30,000 square food pre-cast concrete facility was completed in the industrial park of a community of about 7500 people.

Approximate participant contributions were:

distribution REC	$100,000
G&T REC	$100,000
city/county/local group	$100,000
TOTAL	$300,000

Industry interest and prospect visits to the community have increased significantly. Several prospects have expressed initial interest in the building at this time.

Several other communities served by the distribution REC have expressed an interest in the program. A similar project is underway in a second community.

BUSINESS BENEFITS:
- Provision of new facility within company parameters and time constraints in a developed industrial park.
- An expandable facility affords future growth.

COMMUNITY BENEFITS:
- Potential for new jobs in a community stricken by the loss of a major employer and 750 jobs.
- Prospects for increased tax revenue where the community has seen a decrease in recent years.
- Diversification of a primarily agriculturally-dependent community.

UTILITY BENEFITS:
- Load growth
- Load diversity
- Stabilized operative costs

PROJECT TYPE: Business Development: Assistance to a "Start-up Business: with Social Value - Solid Waste Treatment

PROJECT OVERVIEW: Very few new business ventures add benefits to the owners, the community, the country, and the environment and the society as a whole. To make this project happen, a total walk-through by the REC was necessary.

RESOURCES USED: Utility contribution through its CFC subsidiary, the local bank, S.B.A., state job monies, DNR (Department of Natural Resources).

PROJECT DETAIL: With increasing state pressure to find alternative ways to dispose of solid waste, the County Sanitary Solid Waste Disposal Commission had five options:

1. Continue landfills, assuming to be able to operate under more restrictive regulations
2. Contract for transfer station
3. Contract using Lundell recycling/processing plant
4. Incinerate
5. Source separation/recycling

Cost comparisons favored Lundell system to be the best alternative. The following package was used:

	USES	SOURCES	
Building	401,000	401,000	CFC thru subsidiary of REC
Working Capital	100,000	100,000	Company
Equipment	885,000	585,000	Bank thru S.B.A.
		300,000	Equipment loan from mfg.
Site preparation	142,000	20,000	City revolving loan fund
		100,000	DNR grant
		22,000	State
TOTAL	1,528,000	1,528,000	

Investor owned utility would have liked 50% of project, not only for load, but to control the marketing of the energy pellet which amounts to 60% of marketable product. BTU of these pellets is higher than coal.

BUSINESS BENEFITS:
- New technology in growing industry of waste management
- Tipping fees sustain debt service
- Marketing of products derived, add profitability

COMMUNITY BENEFITS:
- 16 new jobs
- Public relations
- Tax base increase

UTILITY BENEFITS:
- Involvement in area concerns
- New load
- New Member
- Rate stabilization
- Development of revolving loan fund for future projects.

COMMENTS: REC loan through CFC is amortized over 15 years with a seven year balloon payment at one point above CFC variable rate for REC -- loan is for 15 years. At the end of seven years, REC repays CFC or creates a sinking fund and repays CFC over remaining eight years. A first mortgage is held on property of $535,000 value.

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PROJECT TYPE: Expansion of Ag business in a new location.

PROJECT OVERVIEW: Business development was possible only through large monetary and moral community support. Creative financing played a key role in locating the business with the REC facilitating the project.

RESOURCES USED: REC; community; state grant; urban renewal with T.I.F. district; state training money; bank; D.O.T. grant.

PROJECT DETAIL: A large egg producer in Phase I wanted to put in an 840,000 bird layer in-line complex with processing, and with Phase II put in four additional houses at 120,000 birds each, plus feedmill and pellet operation. To obtain financing, a corridor 200 foot wide by two miles long was run from a small community (900 pop.) to the project site. Through annexation, the establishment of an Urban Renewal District and consequently a T.I.F. District for the project was set.

Uses		Sources	
Land	154,000	154,000	State forgivable loan
Site prep.	215,000	215,000	Bonds (T.I.F.)
Building Const.	2,099,460	2,099,460	Company
Machinery & Equip.	2,127,316	2,127,316	Conventional loan
Working Capital	2,000,000	500,000	Feed Service
		1,500,000	Company
Electric	131,225	131,225	REC*
TOTAL	6,727,001	6,727,001	

The DOT Program was used to blacktop a mile of country road from an exising highway to the project site.

*Equipment and labor on secondary deducted from year #1 and #2 rate discount. Estimated additional REC discounts over 5 years at $93,000.

BUSINESS BENEFITS:
- Verticle expansion
- Sales growth
- Increased market share

COMMUNITY BENEFITS:
- 67 new jobs
- Increased tax base
- Diversification of local economy
- Value added to corn production in area

UTILITY BENEFITS:
- New 3,500,000 kWh load
- Community leadership
- Public relations
- New construction
- Stabilization of rates

COMMENTS: A very good use of creative financing using county, city, state and REC participation along with the company.

PROJECT TYPE: Business Development - Business Relocation

PROJECT OVERVIEW: An existing company with growth plans was unable to expand at its present location. Also, the company was interested in finding a more stable labor environment, preferably in a rural location.

RESOURCES USED: State forgivable loan, Community Block Grant Public Facilities Set-Aside, Department of Transportation Economic Fund, IDR Bonds.

PROJECT DETAIL: An out-of-state food processing company was seeking a location for a new facility. A rural location adjacent to and industrial park owned by the rural electric cooperative was desirable due to a stable work force. The industrial site proposed by a small Southwest area community was selected pending further infrastructure development.

The following package was proposed:

	Uses	Sources	
Land	$ 50,000	$ 50,000	Contributed at no cost by REC
Site Prep			
Grading	5,000	8,000	Company
Water	3,000		
Electrical Svc	18,000	18,000	REC
Road	55,000	11,000	County
		44,000	Dept of Trans.
Sewer	228,000	50,000	DED/FFSA
		178,000	City
Building	1,000,000	1,000,000	IDR's/Company
M&E	900,000	900,000	IDR's/Company
Working Capital	2,910,000	2,680,000	Bank line of credit
		150,000	DED/state forgivable loan
		80,000	New jobs training program
TOTAL	$5,169,000	$5,169,000	

In order to expediate the project the local economic development organization agreed to lease the facility to the company for a period of 15 years with buy-out option.

BUSINESS BENEFITS:
- More competitive utilities
- More stable labor
- New facility at cost of existing facility

COMMUNITY BENEFITS:
- 80 new jobs
- Diversified local economy
- Expanded tax base

UTILITY BENEFITS:
- New utility load
- Developed site

August 11, 1989

Hon. Glenn English,
Chairman
House Subcommittee on Rural Economic Development

I am State Representative Jane Svoboda, Clutier, Iowa, Tama County. I was born and raised on a farm near Clutier and am married and living on a century farm which has been in my husband's family these 100 years. My service in the state legislature is still new. ..only three years. It is with a great deal of concern and interest for the people of this state and this nation that I speak to you today. I understand how long it takes to make substantial change in government, yet true change in many areas is needed and the politics of that change must not stand in the way of the good of the country. Thank you for this opportunity.

Rural Economic Development remains a buzz word at both the federal and state level.

63 million people live in rural America
Rural unemployment rate is 31% higher that in the cities
Rural per capita income is 25% lower
Rural poverty is 1/3 higher
Rural school drop outs rates across the country are higher than the cities
Only 12% of the physicians and 18% of nurses practice in rural areas
Physicians availability in counties with fewer than 10,000 population is 1/3 the U.S. average
We have 163 physicians for every 100,000 people as an average
Over 300,000 people in Iowa do not have health insurance
Rural Americans are paying 33% more in excise taxes than their urban counterparts.

Federal policies are eroding the tax base, leaving state legislatures scrambling to maintain revenues in order to finance infrastructure and continue services.

Reduced income causes exodus of people from rural areas, which results in loss of population, tax bases, tax revenues, income from personal income tax. As the workers leave the towns and communities we are left with retired people and a few self-employed business persons and farmers to pick up the slack.

Diversification -- the other buzz word in economic development and often directed towards agriculture is also a catch 22. Last year farmers with oats sold their crop for almost $3.00 a bushel; this year oats is $1.50 per bushel. What incentive is there to rotate? What incentive is there to maintain the top soil, use less chemical, to be a good steward of the land?

I feel very strongly that agriculture in this country has been manipulated, downgraded and underpriced in an effort to produce cheap food and give the consumer a false sense of food security on the back of a false economy. My remarks this morning are going to follow that particular idea.

I feel that Iowa was particulary vulnerable and that the mishandled or perhaps manipulated agriculture sector of this country contributed to the decline of this great state's economy, population base and has set in motion problems that our state legislature will have to deal with for many year. Many of these problems could have been avoided if agriculture had been enjoying its full economic piece of the pie. If raw products had not been underpriced and if the country had a true supply management policy in place, many of the disruptions in the system would not have occurred.

How do Federal policies affect Iowa's economic development plans?

Failure of the government to enforce anti-trust laws has caused severe problems for both Iowa's agriculture economy and Iowa's workers. Most recent case in point, Monfort/Swift hog kill operation here in Marshalltown. The company has been sold and the new company will be firing all the current workers. These same workers may apply for their jobs back, however, they will be re-hired at a salary less than their current contract.

Current legislation requested by the soybean association for a mandatory check-off from producers without any referendum by the producers and without their ability to request that check-off back is unfair to the producer.

The export enhancement program was crafted as a tool to help increase exports and regain the American farmer's dominance of world markets. In fact, that policy has increased the profits of the agri-business grain cartel. The idea expounded was that the foreign buyer would receive the EEP money - wrong, the grain companies snapped it up.

Cargill $464.7 million
Continental Grain $422.2 million
Louis Dryefus $320.7 million
Artfer Inc. $140.7 million
Peavey Co $98.8 million

Pillsbury Co $83.1 million
Bunge Corp $73.7 million
Garnac Grain $65.8 million
Richco Grain $65.1 million
Can USA $51.7 mill
Gold Kist $45.6 million
Union Equity Coop Exch $41.8 million
ADM Milling $39.5 million
Ferruzzi USA $38.6 million
Tradigrain Inc $37.9 million

Failure of the government to enact the anti-trust provisions in the Packers and Stockyards Act has allowed a few major players to gain control of the livestock industry. As the trend continues, farmers will find very little competition for their product and will be at the mercy of the industry. We have witnessed the decline and relocation of the poultry industry to the southern states and there is a continual effort from certain swine interests that try to control the market.

There is an undeniable trend towards concentration of production in agriculture, and that concentration poses a threat to both family farmers and American consumers. Consolidation of the meat packing industry, the poultry industry, the grain trade is rapidly reaching a point where a handful of agribusiness giants will be positioned to exert undue influence upon the American food supply.

Four beef packing companies now control nearly 75% of all U.S. business. In pork packing, the handful of big firms now control about 40% of the business, however that is projected to reach 70-80% in the next few years.

There is a big drive in the swine industry to both establish giant production units and to get contract production on family farms.

In the dairy industry, the production is shifting to mega-dairies in the west and southwest at the expense of family dairies.

Giant agribusiness claim that tough anti-corporate laws will be bad for the producer, the economy, etc. Most giant farms claim economic development as a reason for their existence. However, they concentrate in a few rural communities at the expense of a lot of other rural communities and family farmers.

Policies which allow companies to move into an area without providing any benefits to their workers, i.e., living wage, health insurance, vacation, job security, child care, etc., should be changed. Foreign companies should not be allowed

to come into the country and establish factories and maintain working conditions below industry standards.

The country and government must realize that the agriculture policies which have driven thousands and millions of farmers off their land and into the cities must be changed.

True economic development is created by parity pricing raw resources. It is not economically sound to put underpriced feed into underpriced livestock. This practice, in fact, depreciates the years of research and development put into agriculture. In effect we are saying we do not value the time and energy spent by professionals developing the new technology.

Parity pricing was very effective between 1942 and 1952. As parity was removed from the market system, family farmers lost approximately two trillion four hundred eighty six billion dollars between 1953 and 1986.

Total national debt, public (government), business and private (consumer) climbed to nine trillion dollars in that same time frame. Since 1986 our national debt has skyrocketed and we now have a total public and private debt of thirteen trillion. The interest payment on that amount is 30-40 cents out of every dollar.

The statement that more production equals more income must be challenged by asking why then has over four million farmers and their families been forced off the land. Since the inception of the Food Security Act of 1985, we have lost over 450,000 farmers from the land.

Without a plan for a nation wide energy policy, rural areas are hard hit by the oil cartel's control of fuel. The nation must develop a plan to become self-sufficient and less dependent on foreign oil. We have the resources, we can clean up the air through the use of ethanol produced from some renewal crop - corn, sugar beets, etc.

The phenoneum of farm wives going to work in town to keep the farm operating has caused much stress and strain on farm families. The farm family has traditionally been a working unit. Estimates of a wife's total contribution to the farm is worth an average of $27,446 annually. While farm men had a mediam of $23,672 in income for labor on and off the farm.

In 1960, 23 % of the farm wives were in the work force, in 1986 that rose to 53%. How to balance work, family, school activities, stress in the spouse, lack of employment opportunity, especially jobs which pay well with some benefits is contributing to more and more farm family strain and breakups.

Analyzing the stress, the question must be asked, "Is this worth it or should we get out?"

A recent USDA study concludes that raising loan rates to 80% of parity and implementing mandatory production controls would yield some pretty impressive results.

Here are some of the conclusions reached on a program using a marketing quota system:

Over five years, net farm income would increase by more than $84 billion.
Land prices would rise.
Net income would rise for livestock producers
Soil erosion would decline
Water quality in rural areas would improve
Tax dollars would be saved by eliminating deficiency payments and dramatically reducing storage costs.

Farm prices are not set by supply and demand. They are set by Congress through the mechanism of the price support loan rate.

In return for higher prices, farmers would agree to control their production. Production controls would not be enacted in order to raise farm commodity prices, that would be accomplished by raising price supports. They would be enacted to eliminate unwanted and costly surpluses.

Raising loan rates would also make possible an even greater savings to taxpayers -- the elimination of the expensive and

totally absurd deficiency payment system. Under this system which was designed to promote export sales, we have been recently spending almost twice as much to subsidize exports as the exports are worth.

The USDA study proves illuminating on the subject of environmentally-destructive farm chemicals. The study concedes that "farmers would have incentive to decrease the intensity of input use with a marketing quota program because a producer will tend to choose the least-cost means of producing a crop?"

In fact, the USDA seems hard-pressed to find any serious "negative effects" under a parity program that uses marketing quotas. We would tend to agree with one negative effect with which the study seems especially concerned: the program would hurt some agribusiness — The program would force grain exporters and food processors to pay fair prices for their raw materials.

Government policies which are inequitable to the health care system impact our state very negatively. Policies which disallow equal payments to hospitals either urban or rural for the same procedures is wrong. Our rural hospitals are entitled to the same rates of reimbursement for like procedures as their urban counterparts.

Federal mandates to state governments that do not come with funding makes it very difficult for states to comply with cumbersome and expensive directives. The leaking underground storage tank cleanup is a prime example, removal of asbestos, CNA's mandated to pass a competency test to work in a care facility, etc. etc. With the continued loss of people and a tax base, paying for those projects becomes very expensive. As the federal government withdraws more and more of its financial commitments to the states, the states are forced to find new sources of revenue to continue to maintain services. Of course these new revenue sources are simply a tax of some kind.

Let's discuss the Commodity Futures Trading or the Board of Trade whichever you prefer. Farmers have long been suspicious and distrusted the Board. Thanks to government manipulation of agriculture, the giant agri business firms know exactly how much grain is available at any one time in this country, where it is located, (farmer owned storage at the moment, everything else seems to be empty), when it will be available for purchase and at what price. The very nature of the 1985 Food Security Act has effectively maintained commodity prices below the target prices.

Is it possible that the Ferruzzi incident was a contrived situation. Being one of the smallest of the giants(?), had they demanded delivery of the 23 million bushels of July

beans would the others been able to fill that order? Or would chaos have resulted around the world when the market honestly reacted to the proof positive that the beans are not there, that the continued allowed practice of paper trading of 7-30 times more bushels or tons on the Board of a commodity truly disrupts the markets, screws the farmer and allows crooks to get rich by simple manipulation and control of the raw product. The American Farmer has been cheated and manipulated throughout the years by the activities of the Board. We, as farmers, do not have knowledge, resources or time to monitor the floor, we do not have the inside track to determine whom or how the board manipulates the market, is allowed to sell many more bushels of a commodity than has been grown, but we do know our lives and incomes are affected in ways beyond our control because of the activities of the Board. Many economists and our current Secretary of Agriculture, Clayton Yuetter, suggest that farmers use the board to price their products. The simple fact is that most do not have the ready cash available to cover margin calls and options when due. It sounds so simple to price your crop on the board, how many of you would risk pricing a crop of Iowa corn or beans this year when we have continued to experience a drought? Without a crop to sell, or cash to cover the contract, many farmers simply are shut out of the great opportunity to Deal on the Board.

An excerpt from the Wichita Eagle-Beacon by Tom Webb makes some unflattering comments about the Board and Congress. He states, "The Chicago Mercantile Exchange's Political Action Committee has contributed $285,250 in 18 months with 48 members of the House and Senate Agriculture Committees receiving money. The Commodity Exchange PAC kicked in an additional $31,700 primarily to Agriculture Committee members. Not coincidently, it's the Agriculture Committees that oversee regulation of the nation's commodity markets - the grain exchange, the livestock pits, precious metal and oil trading, and the controversial practice of trading stock index futures."

Is it any wonder farmers are bitter and skeptical? Some forty-six traders are currently facing some indictments, there is a big hullabuloo about the Board, but what will really Change? A few small traders will be shut off, and in the end will that simply give the 'big boys' more power and leaverage? I honestly feel that our government will not take any serious steps to change any of the habits of the Board, especially not with Congress and the Clayton Yuetter in starring roles. Talk about the fox guarding the chicken coop. Sec. Yuetter should certainly be in the best position of all to make some changes. However, substantial change will not come, a few heads will roll, farmers will continue to be duped by the market and business will be as usual.

It seems to be the 'trade's ultimate secret' - how much grain, at what price is going to which foreign buyer. Congressman Nagle's accidental 'discovery' of a USDA document was so sensitive that it appeared to almost defie national security. Listening to the news accounts, I was convinced that the commodity trade is far more sensitive and most be treated more carefully than any 'military' secret a spy would sell to the enemy. Are farmers missing something here?

Canadian businessman Del O'Brien, Pembroke, Ontario, who operates a small airline and is a partner in a dairy farm with his brother gives supply management and a guaranteed price mechanism favorable attention.

He puts national food self-sufficiency on a high economic pedestal. "There's really nothing of higher national priority in any nation in the world than food self-sufficiency," he states. "Many so-called experts downplay the need for food self-sufficiency. They use the argument that the international free trade movement can handle equitable international food production and distribution. The millions of starving and undernourished people on the Earth are ample evidence that free trade is not the answer."

The Canadian agribusiness leader said that there is a global conflict between the forces favoring free trade and those favoring national food self-sufficiency. "The Japanese and Europeans are the leading proponents of national food self-sufficiency," O'Brien observed. "The U.S. and to lesser degrees Canada, Australia, and other western nations are the leading proponents of free trade. Unfortunately, the Americans, because of their dominance in the world market, are trying to impose their free trade beliefs on the rest of the world."

Speaking as an observant world traveler, O'Brien noted that 'the North American press says Europeans are oposed to high domestic farm subsidies, but actually the average European is in favor of a strong family-farm based agricultre and a balanced economy. The average European is not complaining. All they want is North America off their backs."

"Japan wants food self-sufficiency. And thanks to their domestic food policy, they are self-sufficient in rice, potatoes, vegetables, chickens and eggs. There's no agricultural subsidy problem in Japan. There's only unwanted and underserved ciriticsm of farm subsidies from the North American media."

O'Brien made a case for the overall economic impact of a healthy agriculture based upon market quotas and guaranteed prices that give a decent return on farm investment and labor. "European and Japanese farmers are buying new equipment and applying new technology. While here in North America, our agriculture production plant is on hold. Sales are down dramatically. Application of new technology is stagnant."

Canadian agriculture is in a state of uncertainty, according to O'Brien, because some commodities such as grains are

unduly influenced by U.S. farm policies and their attendant low prices while other commodities such as poultry, eggs, dairy and swine operate with supply management and a guaranteed price.

The economic difference between the producers of those commodities is dramatic. But the Canadian agricultural intelligencia has no desire to make the differences public because if embrassess them.

The average Ontario male farmer make $11,000 per year (Canadian), versus an average of $22,000 in salary in industry. Fifteen percent of Ontario farmers have incomes of $5,000 or less. That's less than a third of the average welfare payment in Toronto. A middle class home in Toronto is worth as much as the average Ontario farm. "Those raw material producers dependant upon free market or U.S. prices are carrying the burden of the Canadian economic depression on their backs," he explained.

By comparison, he said that Ontario farmers with supply management and a price are doing quite well. Poultry producers are netting around $100,000 annually. The egg and hog producers are doing about as well. And during the 1980's the Ontario dairy farmer has increased his net worth every year.

Canadian farmers suffer from mixed signals. University experts, agribusinessmen, and bankers openly support low prices and expansionist international trade policy based on production. They attempt to make guaranteed commodity prices look like a bad deals for consumers, yet the Consumer Association of Canada suport supply management and a guaranteed price.

He said, "Our bankers say one thing and do another. They openly support low world prices and badmouth guaranteed prices and supply management. But the only farmers they willing loan money to are those raising commodities with supply management and a price."

In closing, O'Brien noted that farming is still the most important economic factor in Canada and "parity prices on both sides of the border are probably most achieveable through a system of supply management and a decent price. On the world scene, we need to let each nation formulate the food policy that makes the most sense for its unique situation.

Respectfully Submitted,

Jane Svoboda,
State Representative,
District #75

STATEMENT OF

PETER W. DIETRICH

VICE PRESIDENT, CORPORATE DEVELOPMENT

IE INDUSTRIES INC.

ON BEHALF OF THE IOWA GAS AND

ELECTRIC INVESTOR-OWNED UTILITIES

BEFORE THE SUBCOMMITTEE ON

CONSERVATION, CREDIT AND RURAL DEVELOPMENT

COMMITTEE ON AGRICULTURE

U.S. HOUSE OF REPRESENTATIVES

MARSHALLTOWN, IOWA

AUGUST 11, 1989

Mr. Chairman and Members of the Subcommittee, my name is Peter W. Dietrich and I am Vice President, Corporate Development for IE Industries, the holding company of Iowa Electric Light and Power Company based in Cedar Rapids. I am here today representing the Iowa gas and electric investor-owned utilities. They are: Interstate Power Company, Iowa Electric Light and Power Company, Iowa-Illinois Gas and Electric Company, Iowa Power, IPS Electric, Midwest Gas, Iowa Southern Utilities Company, People's Natural Gas Company, and Union Electric Company.

We very much appreciate having the opportunity to appear before your Subcommittee regarding the issue of rural development.

We applaud and support the government for wanting to appropriate additional funds for improving rural America. We strongly oppose making the funds available only to those communities served by Rural Electric Cooperatives (RECs). This is very discriminatory and will not provide all citizens in rural America equal opportunity to improve their communities.

The eight investor-owned utilities in the State of Iowa serve over 90% of the communities having a population under 20,000. In fact, the Iowa investor-owned utilities serve

only 18 communities with populations above 20,000. Clearly, we are very interested in rural development issues.

We are equally as interested and active in the rural communities we serve as are the RECs in the communities they serve. All the Iowa investor-owned utilities are involved in economic development efforts to bring new businesses to these communities, as well as encouraging business expansion among existing customers. We do this for our small towns as well as our large cities. Economic development services are available to all our communities.

We share the Subcommittee's commitment to rural development and we strongly urge you to include this nation's investor-owned utilities in any legislation aimed at enhancing rural America.

To give you some idea of the assistance investor-owned utilities have given small communities I offer three examples:

In 1986, the investor-owned utilities of Iowa committed in excess of $2,500,000 towards attracting matching funds from local communities to encourage economic development. These funds were very effective in stimulating economic development in the rural communities we served.

In Belmond, Iowa Electric worked closely with the community on several development projects, including Printing Services, Inc., Belmond Labs, and North Iowa Wood Products. In each case, Iowa Electric's involvement was to assist in establishing funds on a local basis to be matched by State funds providing loans, interest buy-downs, and grants.

In Iowa Falls, Iowa Electric helped in establishing Plastics Recycling, a new entrepreneurial firm which recycles plastics into new market items for public sale. Iowa Electric worked with the local community to provide funds for low-interest loans and grants. These funds were the basis for receiving a grant from the State.

All Iowa investor-owned utilities have similar success stories, where their efforts were a key reason for new businesses, new jobs and/or expanding current businesses in communities served by them. These efforts need to continue to help revitalize rural economies throughout Iowa. The investor-owned utilities can provide a myriad of development services to communities: coordinating development efforts by working with federal, state and local officials; technical and financial planning assistance for start-up businesses; preparing local community communications, such as video tapes and brochures to help attract businesses; site location; building information; and grant preparation.

Another way the utilities in Iowa show their commitment to economic development is the sponsorship of workshops. The Iowa Utility Association is host to an annual economic development workshop which draws participants and presenters from public and private entities. The most recent workshop, held in March of this year, had nearly 600 registrants representing more than 160 Iowa communities. These workshops help firmly establish the private/public partnership that has served Iowa communities so well. We fully intend to continue this well-attended event.

The investor-owned utilities of Iowa made a financial grant to the Iowa Leadership Development Institute, a program of leadership training by the private colleges of Iowa to assist rural communities in providing such training. In addition, investor-owned utilities are participating as a part of the Professional Developers of Iowa organization in establishing a professional developers school at the University of Northern Iowa. Leadership development is an ongoing requirement because of changes within a community.

We care about all the communities we serve. Obviously, the investor-owned utilities benefit from customer growth and a strong Iowa economy, both urban and rural-based. But the interest in our communities is greater than a purely financial one. We have employees working and living in these communities who serve on the local Chamber of Commerce and

Industrial Boards, and whose children go to the smaller rural schools and whose families use the small rural hospitals. We want to continue to grow and prosper by improving the economic well-being of our rural communities.

The opportunities existing today in rural America are not limited to locations served by one specific type of utility. Communities, whether they receive their electricity through a rural electric cooperative, municipal-owned utility, or investor-owned utility, all face similar problems. The receipt of federal assistance should not be tied to the provider of electricity or any other type of service. All communities must have equal access to the funds that may be provided.

Any legislation which has as its goal the improvement of the economic, community, and educational well-being of rural America cannot afford to overlook any industry or organization willing to share that commitment. All communities in Iowa must have equal access to the funds, grants, or loan programs made available through new legislation regardless of energy supplier.

We believe in a public-private partnership. We have already discussed concrete examples of where that partnership has worked. There should be no inherent bias in any legislation that passes Congress in favor of one special interest group.

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Successful rural development efforts will be found where there is strong cooperation among customers, the State, counties, regional or local councils and the business community.

We have a proven track record in Iowa. The investor-owned utilities favor using the established working relationship with the Iowa Department of Economic Development as the foundation for any additional programs. The Department has vast experience and expertise in working with all types of federal programs whether the funding comes from the Departments of Agriculture, Commerce, Transportation, Housing and Urban Development, or Small Business Administration. By funneling any new programs through the Department of Economic Development, all communities will have the same ability to receive federal assistance. Restricting funds and subsequent development opportunities to communities served by only certain segments of our industry would be a mistake. Further, creating duplicative programs would be unnecessary and bureaucratic.

If it is deemed that the Economic Development Departments are not the ones to administer the program, we would suggest that the best alternative is to have the financial institutions, such as banks and savings and loans be the administrative bodies. They are experienced in all aspects of finance, loans, grants, etc. They are also very involved in

rural economic development. All communities are served in some way or another by a financial institution. These funds would then be available to all rural America, not just those served by a specific group.

We would suggest a guideline for funds allocation by project as follows:

Federal Funds	50% of total cost as a grant
State Funds	30% of total cost as a grant
Locally Generated Funds	20% of total cost

We would further suggest that a maximum dollar amount per project be included to insure better distribution to all rural population as follows:

City Size	Maximum Project $ Value
0 - 5,000 Population	$ 500,000
5,000 - 10,000 Population	750,000
10,000 - 20,000 Population	1,000,000

For example, if a $500,000 project were approved the funds would be provided as follows:

Federal Funds	$250,000
State Funds	150,000
Local Funds	100,000
TOTAL:	$500,000

We realize the House of Representatives, and in particular, your Subcommittee will begin drafting legislation of its own to enhance rural development. We hope you make some significant improvements in the recently passed S. 1036, the Rural Partnerships Act of 1989. We hope our testimony here today will give you some insights into the importance of a continued role for the investor-owned utilities in rural development.

Good afternoon. I am Tom Smith, vice chairman of Brenton Bank & Trust Company in Marshalltown and president-elect of the Iowa Bankers Association. The Iowa Bankers Association is the statewide organization for commercial banks representing 93 percent of the banks in Iowa. The association provides its members with assistance in government relations, marketing, regulatory compliance, education and professional development.

We certainly appreciate the opportunity you have afforded us this afternoon to discuss the very important issue of economic development in our state.

Introduction

Through the hardships Iowa has endured over the past ten years, a positive has evolved. "Economic Development" has become a new watchword and the concept is expanding to encompass more than just developing the economy.

Economic development includes rural, community and human development as well. Not only are Iowa bankers embracing this expanded view they are seeing it as a new frontier to explore, a fresh opportunity for increased profitability and a chance to revitalize communities.

A number of economic development initiatives have been undertaken by the Iowa Bankers Association. I would like to take a few minutes to review and expand on some of the key projects in which we have been involved.

Community Resource Assistance Initiative

As traditional lenders, bankers are expected to have knowledge of a wide variety of resources, technical assistance programs, and potential solutions. Bankers are often seen as the best source to approach for the initiation, development or implementation of business, civic or philanthropic programs.

The Community Resource Assistance Initiative (CRAI) is a comprehensive project undertaken by the Iowa Bankers Association to provide the kinds of resource materials and technical assistance that ensure bankers are properly equipped to fulfill their leadership role. CRAI is specifically a process of identifying opportunities, learning which sources work for which set of circumstances, knowing how to pull together resources, and developing relationships with those people who have the right information.

The program itself consists of three books which the IBA has provided at no cost to its membership, legislative body, and state economic development offices. The Guide provides a comprehensive summary of programs and resources useful to communities, organizations, associations and others interested in

Iowa's development. It provides basic information to be used as a "starting point" in researching information to help make decisions regarding community business or industrial projects. Also included is a section on "case studies" that provides excellent examples of the integration of programs and funding mechanisms.

The Guide is supported by supplemental materials. A handbook, designed specifically for bankers, gives suggestions and methods for developing and maintaining relationships with the people who can help further developmental efforts.

The Resource Reference for Implementation (RPI) is a listing of key organizations, associations, agencies and individuals that provide additional information and technical assistance relating to the program in the Guide.

Additionally, ten regional Community Resource Assistance Initiative workshops were held throughout Iowa in April. The workshops outlined the details of the program and enabled bankers to gain an understanding of how the various elements of the CRAI work together. Continuing education and semi-annual supplemental updates to the Guide are also key elements to this project.

What began as an abstract idea of coordinating and collecting the vast resources Iowa already has available in the area of economic development has grown into a concrete program. The Iowa Bankers Association is very proud of this effort and we are hopeful and optimistic about the rewards it will bring to the banking industry and most importantly the communities we serve.

Iowa Business Development Finance Corporation

In 1988, the Legislature recognized a need to create a means of providing venture capital to entrepreneurs interested in establishing businesses in Iowa and promoting expansion in business already here. The goal was to spur economic growth and activity in our state.

To this end, the Iowa Business Development Finance Corporation (IBDFC) was created and supported with $4.65 million in state lottery money to be augmented with funds from the private sector creating a cooperative public/private venture capital fund. To our knowledge this is the first program in which banks have joined forces with the state to come up with an innovative, far reaching community economic development venture capital plan.

The minimum investment in IBDFC is $5,000 to be paid over a two year period with the balance due June 1990. Private investors receive their investment plus a 25 percent return before any funds go back to the state. In addition, there is a put option which requires IBDFC to repurchase all shares at the fair market value in 10 years. Investors that buy stock in the

corporation become members and only members can sponsor businesses for possible financial investment by the Fund.

During February, representatives from the IBA traveled the state promoting investment in this program. As of the June 30 deadline, a total of $6.6 million had been invested by the private sector. Of that total, 201 banks invested $4.4 million, three insurance companies invested $2 million, one utility company invested $250,000 and one savings and loan association invested $5,000.

Iowa Business Development Credit Corporation

A predecessor to the aforementioned program was the Iowa Business Development Credit Corporation. This program has been in existence for 19 years providing funds for businesses where financing is not readily available from conventional sources.

To date IBDCC has approved over 200 loans for approximately $37 million in funds for businesses involved in all types of manufacturing, service, food processing, mining, and numerous other types of endeavors. IBDCC's most recent completed fiscal year, 1988, reflects record levels of achievement in the dollar amount of loans approved and company profitability. A total of 10 loans were approved aggregating in excess of $3 million. This increased activity resulted in gross loans outstanding at year end of $6,841,121 which was 28 percent greater than the prior year. These ten companies project to add a total of 224 new employees over the next two years.

Currently there are 159 financial institutions in the state participating as members of IBDCC plus an additional 64 shareholders. Unlike the Iowa Business Development Finance Corporation, the shareholders in IBDCC are providing funds without any anticipation of dividends, and members are loaning the company money at favorable rates to allow IBDCC to make loans available at reasonable rates.

In addition to the state programs I have mentioned, many towns across Iowa have developed local development corporations in which bankers serve in a leadership role. During the 1989 legislative session, the Iowa Bankers Association introduced legislation that allows financial institutions to become shareholders or members of more than one economic development corporation. Prior to this bill, financial institutions were specifically prohibited from this activity which in some cases resulted in them being forced to choose between state or locally formed entities.

Legislation was also introduced and passed by the Iowa Legislature that will allow banks to invest in real estate if its for the purpose of economic or community development.

Federal Programs Available

Iowa banks have worked for many years in conjunction with various federal agencies in providing financing for small business and community development.

Iowa bankers have played a large role in providing interim financing on the construction of rural water and sewer systems with the Farmers Home Administration providing the long-term financing for such projects. An average of 20 such projects are entered into annually.

In addition, FmHA provides a Business and Industrial Loan Guarantee program that parallels the Small Business Administration (SBA) with the difference being size of loan. SBA has a $700,000 per loan limit while FmHA's Business and Industrial Loan Program can make loan guarantees up to $10 million. Approximately $1.6 million will be guaranteed through financial institutions under this program in 1989.

In regard to the SBA program, a total of 466 small business loans were guaranteed through financial institutions in 1989. Those guarantees represent a loan volume in excess of $51 million.

Another outstanding program in which Iowa banks have been heavy participants is the Iowa Beginning Farmer Program which makes below market interest rates available to young farmers. Since the program began in November of 1981, 692 loans have been approved for a total loan volume of over $55.6 million. 1989 has been a record year with a total loan volume in excess of $12.5 million representing 144 loans.

More than 80 percent of the loans being made to beginning farmers under this program are done through financial institutions.

Social Concerns Group

The Iowa Bankers Association would be remiss if we neglected to direct attention to the social impact the farm crisis and most recently the drought has had on small business people and farm families throughout Iowa.

In 1985 a Social Concerns Group was initiated to help facilitate communications between borrowers and lenders. The group is made up of a diverse gathering of lenders, human service providers, churches, rural, and farm organizations. Though often representing conflicting interests and widely divergent public policy viewpoints, Social Concerns representatives have sought to build trust, explore new ways to approach rural social and economic problems constructively, and openly discuss their differences and common concerns. The group meets on a bi-monthly basis and has been an excellent tool in enhancing human and social development in the state.

Community Involvement

Before concluding my remarks I would like to take a few minutes to address an increasingly sensitive topic. During recent months, the banking industry has come under fire regarding the level of investment we are making in our communities.

I was glad to be invited here today so that I would have the opportunity to share with you some example of the many projects banks are involved in and the contributions we are making to our communities. However, in addition there are a number of other considerations in regard to this topic that should be taken into account.

Advance deficiency payments and other federal assistance to farmers reduce their need for loans from Iowa banks. Iowa's shrinking population has a direct effect on the supply of borrowers. Tax laws regarding the deductibility of interest have changed. Interest is deductible for individuals only if the money borrowed is secured by a mortgage on the individual's personal residence. Virtually all heavy equipment and automobile manufacturers have captive finance subsidiaries which they use to make loans to finance their products.

There are many reasons why banks' loan to deposit ratios are no longer at 67 percent as they were during the boom years. However bankers are actively seeking loans that will be sound investments for their depositor's dollar.

Conclusion

On behalf of the Iowa Bankers Association, I want to again thank you for allowing me to be a part of today's hearing. I hope the information will be of value to you as you look toward the future of our state.

TESTIMONY
OF
JAMES A. MULLINS
CHAIRMAN
THE FARM CREDIT BANK OF OMAHA
BEFORE THE SUBCOMMITTEE ON CONSERVATION
CREDIT & RURAL DEVELOPMENT
HOUSE COMMITTEE ON AGRICULTURE
FIELD HEARING, MARSHALLTOWN, IOWA
AUGUST 11, 1989

Mr. Chairman, and members of the subcommittee. My name is Jim Mullins. I am from Corwith, Iowa and run a grain, feedlot and cow/calf operation.

I am presently Chairman of the Board of Directors of the Farm Credit Bank of Omaha and have served on that board since July 1988, when it was formed by the merger of the Federal Land Bank and Federal Intermediate Credit Bank. I have also served on the Omaha District Board and as an association director.

I am pleased to have this opportunity to appear before you today to testify concerning rural development and the role the Farm Credit System might play. Just as others who have, or will testify today, we feel that this topic is of vital importance. Rural development means many things to many people. It includes not just economic development, that is bringing in and retaining businesses necessary to provide jobs, but also the establishment and maintenance of a quality of life: the infrastructure covering the whole spectrum of education, health care, transportation, communication, utilities and other services.

The number of people directly involved in production agriculture in many areas is no longer sufficient to adequately support the local communities, and yet without those same communities and the goods and services they provide, the vitality of production agriculture itself is threatened.

Agriculture requires a source of seed, feed, fertilizer, machinery, parts and fuel. Those who work in agriculture require food, clothing and the other basic necessities. Historically these have been available in numerous towns and villages. These same communities also served as a focal point for social and cultural activity, provided a sense of identity, and gave us those "small town values" which are synonymous with common decency. Their decline is a trend that must be arrested and reversed. Resolving this complex problem will require support from many sources. Rural individuals, groups, and governments cannot solve it by themselves, and we believe that the Farm Credit System could play a major role, along with government and other private enterprises, in contributing to the continued support and welfare of rural communities and the American farmer.

Although I am a director of a System institution, I am also a farmer living in a rural community, and I am concerned about the maintenance of that community as well as others. I believe that concern is shared by others. To illustrate that point, the Omaha Farm Credit Bank presently has 1.65 billion dollars outstanding in over 26,000 loans in Iowa, both long and short term. These loans are written and served by approximately 190 employees located in 33 full-time lending offices throughout the state. Not only these employees, but all of the borrowers represented by the above loans, and their respective families live in or near rural communities and have interests and concerns beyond mere Farm Credit issues. They are deeply concerned about the viability, let alone the prosperity, of agriculture and their rural communities.

As you know, Farm Credit has been a presence in rural America for over 70 years, in its mission of providing sound and constructive credit and services to farmers and ranchers. In providing that credit, our employees are active in rural communities, and we have established local branches to assure that agricultural credit needs are provided when and where the farmer needs them - in his or her farming area. However, within the context of rural development, and consistent with the concept of rural community support for agricultural activities, there appears to be an opportunity for the System to support rural America as a provider of capital and credit, and we would ask you to think creatively about the nature and extent of System involvement in that regard.

Utilization of the Farm Credit System in the development and implementation of any rural development programs offers several advantages:

1. The System's identification with, and history of commitment and service to, agriculture and rural America.

2. A delivery system and structure that is already in place in rural America.

3. An existing staff with financial and agricultural skills and knowledge - a staff which lives in the communities, and which is responsive to the needs of their rural communities.

4. An established funding mechanism to draw capital from the nation's money centers without budget or tax impact.

5. A supplement and/or alternative to other existing sources of credit and funding.

However, to engage in some of the activities and projects we have sometimes heard discussed or contemplated under the broad coverage of rural development, it may be necessary to remove certain limitations presently imposed on System institutions by the Farm Credit Act. We believe the removal of such limitations is in the best interest of American agriculture and rural communities, and is consistent with the concept of free business competition which generally benefits cutomers (including farmers and ranchers).

The availability of competitively priced credit in rural areas is essential for economic growth to take place. System institutions are well situated to serve the broader credit needs of rural areas including the financing of rural infrastructure. Further, a more diversified loan portfolio would strengthen System institutions, permitting them to better serve their traditional clientele.

Accordingly, we will support legislation to preserve and enhance the role of System institutions in financing credit-worthy rural enterprises, both community-based and private, while maintaining the existing farmer and farmer-cooperative ownership of the Farm Credit System.

We would therefore offer the following suggestions for your consideration in structuring an appropriate role for the Farm Credit System, and ask that you allow System institutions to continue their support for farmers, ranchers and their rural communities by allowing those institutions to provide:

- o Increased availability of marketing and processing loans to farmers and others who wish to add value to raw agricultural products.

- o Increased opportunity to utilize farm related business loans by those who supply goods and services to actual agricultural producers.

- o Broadening of the home loan program for those residing or wishing to reside in rural areas.

- o Expanding access to credit by businesses providing direct support to farmers and ranchers.

These possibilities involve removing some limitation on existing authorities and simply complement and enlarge existing loan programs. They would have no adverse impact on the bank or the associations, nor would they require increased staff, costs, or facilities. They would be logical enhancements to our mission, and would provide users of credit in rural areas opportunities for support and welfare at competitive cost.

In addition, the System should have the ability to join with rural communities in appropriate development projects related to the infrastructure. Some of these projects will be historically "creditworthy" in that they will generate sufficient revenue to repay their loans. Others may require guarantees or interest subsidies. In either respect, The concept would not be to replace existing FmHA programs in ths area, but to offer a reasonable alternative.

The Farm Credit System operates within the parameters established by the Farm Credit Act. Those parameters are in your hands. The problems and challenges facing the implementation of a successful Rural Development Program are extensive. So too must be the resources brought to bear. We feel that the Farm Credit System is a resource that could and should be used as part of the solution.

Thank you for this opportunity to appear here today.

STATEMENT

OF

O. JAY TOMSON

AND

ARNOLD SCHULTZ

INDEPENDENT BANKERS ASSOCIATION OF AMERICA

HEARINGS ON

RURAL DEVELOPMENT POLICY

HOUSE COMMITTEE ON AGRICULTURE

SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

HONORABLE GLENN ENGLISH
CHAIRMAN

MARSHALLTOWN, IOWA
AUGUST 11, 1989

Mr. Chairman and Members of the Subcommittee, I am O. Jay Tomson, President of the Independent Bankers Association of America. I am Chairman of the Citizens National Bank of Charles City, Iowa. With me is Arnold Schultz, who is Chairman and President of the Grundy National Bank of Grundy Center, Iowa. He also serves on the Bank Operations Committee of the IBAA.

We are very pleased to be invited to participate with you today. We are going to cover some local concerns and then make some comments on national credit programs such as SBA AND FmHA and how we think those programs might best serve rural development needs.

If we could prioritize areas needing attention, we would focus on the following:

1. Transportation: Good highway transportation is a prerequisite for getting industry to move into any locality. In Northeast Iowa, we are very interested in seeing Interstate 380 completed. The economic benefits should far out weigh the costs associated with completion of the interstate system.

We continue to be served by less than satisfactory airline service in many rural areas. While service seems to be improving and more functional airplanes are serving smaller airports such as Mason City, Waterloo, and Dubuque, in our area, there still would appear to be room for improvement.

2. Ground Water Protection and Conservation: The protection of our ground water is a major challenge. The continued use of sanitary

landfills is becoming prohibitive in terms of cost and risk. New methods of disposing of waste such as a waste-to-energy facility need to be initiated in rural America as well as in our cities. Our problem is an inability to generate sufficient volume to meet the minimum size of plants offered by present technology. For example, it may take 8 to 10 counties working together to generate 300 tons of waste daily. Smaller plants do not appear to be cost efficient. Plants in Minneapolis, Chicago, and Detroit consume from 1,000 to 3,000 tons per day.

3. Need to Reorganize County Governments: Our county governments are becoming costly and cumbersome and were organized to serve a society of a century ago. Coalitions are difficult and costly to form.

4. Need to Keep our Rural Hospitals Functioning: Escalating medical costs and advanced technology tend to contribute toward the consolidation of facilities in larger communities at the expense of our smaller rural facilities.

5. Education: Better use of regional community colleges could be fostered. Coordinating curriculum with the public colleges and universities could result in many people in rural communities, with limited incomes, having the opportunity to receive a formal degree.

6. The importance of the SBA and the FmHA to rural America must continue to be recognized. Credit enhancement and assistance programs which encourage financial institutions to engage in long

term loans which must be repaid from future anticipated earnings are vital.

If rural development policy is used to stimulate business activity in rural areas, in many instances bank financing will be feasible only with credit enhancement to reduce the credit risk. There are various ways that such credit enhancement can be provided:

*One way is to use government loan guarantees. For several years, the Farmers Home Administration operated a rural business and industry loan guarantee program, which resulted in a substantial amount of new capital being provided to rural businesses. That program might be usefully revived. If it were revived, the volume of authorized funding would need to be increased to a level making it worthwhile for lenders and rural businesses to consider the program as a financing option. An annual level of guarantee authority of $1 billion would seem to be minimal for a viable program. The guaranteed loan program has the merit of leveraging the use of private capital, and can minimize administrative costs by functioning through the banking system and using existing Farmers Home Administration personnel for Federal oversight.

*The Small Business Administration loan guarantee program is being used more extensively, now that the survival of SBA and its core programs seems assured. SBA guaranteed lending, through local commercial banks, tends to assure that rural businesses get a major share of that financing.

*Because of budget and other restrictions on FmHA and SBA loan guarantee programs, we believe that the establishment of a government-sponsored small business secondary market broader in scope than SBA guaranteed loans merits consideration. Congressman LaFalce introduced legislation on August 4 which could provide a point of departure for structuring such a market. If the secondary market was structured with a broad grass-roots base, involving the purchase of loans from local institutions in our communities in Iowa and other states, the market would have a substantially rural focus. It could be a positive force in the growth of business activity in our rural areas and communities.

*The newly-established Farmer Mac secondary market should prove to be helpful to rural America, including Farmer Mac's authority in the financing of rural residences. Farmer Mac will best realize its potential in rural housing finance by reaching out to finance rural residences that are not adequately reached by Fannie Mae and other existing rural housing secondary markets.

The IBAA has some serious concerns that Farmer Mac may be deviating from its grass-roots course of involving the local financial institutions that bought Farmer Mac stock to be loan originators and servicers, which we believe Congress intended in enacting the Farmer Mac legislation. We commend you for scheduling oversight hearings on Farmer Mac to be held September 29. The IBAA looks forward to participating in those hearings.

We would like to find additional ways that community banks could assist in financing rural community services such as water or sewer

systems. One possibility is for local banks to buy "bank qualified" tax-exempt bonds issued by a governmental unit to finance local services. A provision of the Tax Reform Act of 1986 enables a local government to issue up to $10 million of such bonds annually. By selling to a local bank that is directly knowledgable about the financial position of the local government entity, the issuing entity may not need the professional bond rating that is difficult to secure on small issues.

One problem is the long maturity of most financings for rural water systems, which has generally limited banks to interim financing of such projects.

Community banks would like to help in finding other sources of at-risk funds that could be subordinated to bank credit, enabling more new business starts in rural communities. We constantly work with people in our respective communities for such opportunities.

Finally, we would be remiss, as Iowa community bankers, if we did not mention the financing of agriculture and its importance to the whole rural life and economy of Iowa. Agricultural financing, as you know, is a core part of our business, and for many of our community banks the foundation on which we build.

STEVEN J. OVEL
EXECUTIVE DIRECTOR, ECONOMIC DEVELOPMENT CENTER
KIRKWOOD COMMUNITY COLLEGE
CEDAR RAPIDS, IOWA

I appreciate the opportunity to share with you my views of the economic development process in Iowa with an emphasis on our activities in the rural parts of our State. My comments will reflect my position of executive director of the Economic Development Center at Kirkwood Community College, one of fifteen community colleges in Iowa; as chairman of the East Central Iowa Economic Development Council, one of fifteen regional coordinating councils in Iowa; and as a member of the Iowa Small Business Development Center advisory board overseeing the activities of fifteen centers and subcenters. I have been an interested and active participant in the development and evolution of our seven county region's economic development process during the past five years.

As you explore ways of meeting the economic development needs of our rural communities and their residents through the development of federal assistance programs, I would like to encourage you to consider the following issues.

The first is the need to recognize that many States and subregions have already take the initiative to develop and implement effective economic development and rural development programs and service delivery systems. New federal initiatives should compliment and build upon, not duplicate these existing programs and delivery systems.

A recent example of the failure to do so is the Senate Agriculture Committee's bill S. 1036, known as the "Rural Partnerships Act of 1989". Two titles in the bill authorize the establishment of programs that would replicate several active programs we already have in place, especially those of the Iowa Small Business Development Centers and Kirkwood's New business Center, Rural Business Development Project and Rural Diversified Enterprise Center. It makes no sense to set up parallel programs that would have to compete for the same scarce, finite state resources now being made available to the SBDC's. In fact, it is estimated that more than 50 percent of the SBDC's current clientele reside in rural areas. The SBDC's would like to provide additional services to their rural communities and businesses, but lack sufficient funding to meet the demand that already exists.

We would welcome the Department of Agriculture's utilizing the SBDC's and other small business development programs the way the National Institute of Standards and Technology and Labor and Commerce departments have. These entities, along with other federal and state agencies and departments, have recognized that it is better to leverage existing resources rather than reinvent a brand new delivery vehicle.

Secondly, I encourage you to recognize the increasingly important role that our nation's community colleges are playing in the economic development process. They have become effective regional service delivery systems that can be relied upon to deliver a board range of programs in a very cost effective and results driven manner. My following remarks will describe Kirkwood Community College's commitment to this process.

Third, I encouraga you to seek out and replicate model rural development programs from around the country. Kirkwood's Rural Business Development Project funded by the Northwest Area Foundation and Kirkwood's Rural Diversified Enterprise Center funded in part by grants from the Iowa Department of Agriculture are two such model programs.

And lastly, I encourage you to recognize the diversity that exists between our states. New federal initiatives should be flexible enough to compliment states with strong programs and service delivery systems and yet provide intervention in those state with weak programs. Regional diversity must be recognized and provided for.

Economic Development activities and programs have proliferated in Iowa and around the nation during the past five years as our communities and states have attempted to deal with the dramatic structural changes occurring in our economy. Hardest hit was the midwest with its large basic manufacturing and agricultural sectors. The flight of Iowa's farm families, agribusinesses and rural communities especially their main street businesses, has been thoroughly documented.

In Iowa our efforts are beginning to show positive results, but we still have a long way to go. These improvements are not occurring by chance. Working together, our Governor, legislature and the public and private sectors have implemented a broad series of business climate reforms and economic development programs aimed at retaining, expanding and diversifying the state's economic base. Expanded emphasis has also been placed on aiding local communities, particularly rural ones, and enhancing regional economic development capabilities.

The coordination and delivery of economic development programs and services on a regional basis is a relatively new concept and one that is having very dramatic results. For many years, economic development activities in Iowa took place only at the state or community levels, primarily in the larger urban communities. As a community based regional institution, Kirkwood assumed a natural leadership role as the need for regional delivery and coordination of services began to evolve.

The last twenty years have been a time of unquestioned change in work and the nature of work. The speed and complexity of this technological transformation and the inability of American leaders to grasp the significance of the change have left the U.S. economy in vulnerable and defensive positions. This condition has been further exacerbated by an unfavorable balance of trade, poor rates of exchange, and worldwide industrial competitors who have coupled low wage requirements with automated manufacturing to become more productive and competitive.

A result of this condition is that U.S. industries are having to undergo the most significant transition since the industrial revolution. In response, employers are focusing attention on several broad strategies including the changing of production processes, adapting flexible specialization, product diversification and worker training and retraining.

These strategies are exacting extremely high costs for government, industry, educational institutions and employers. As companies struggle with these new strategies, time-honored practices are being questioned and nontraditional methods and allies are being sought. The strategies require both new ideas and information and a training/education system that is able to respond quickly, easily, and capably. As a result, employers, large and small, private and public, are strengthening ties to higher education.

Foremost among the new employer partners have been community colleges. While the challenges are significant and requirements both varied and difficult, the community colleges seem more able than other higher education institutions to meet the needs. Now, as in no previous time, community colleges are demonstrating their capacity for delivering technology and the skills to manage it.

In response, community colleges nationwide are playing an increasingly vital role in job training and economic development, as key partners with government, labor, and business, not only to train people for jobs, but also to help create and retain jobs. Recently, the role of community colleges has evolved and expanded to the extent that they are being relied upon as a principal vehicle to reinstate excellence, competitiveness, and improved productivity within the nation's manufacturing economy.

In meeting this growing responsibility to the employer community, college economic development activities have blossomed into a full array of programs and services in job training technology transfer and industrial restructuring. During the past five years, Kirkwood has established itself as a significant partner in our region's and state's economic development activities. Iowa's fifteen community colleges have been directly involved in the creation of 30,000 new jobs during the past six years through the Iowa Industrial New Jobs Training Program delivered by the colleges. This job training program is recognized as one of the most effective and innovative in the United States. Kirkwood provided a leadership role in shaping the enabling legislation for this program six years ago.

Kirkwood's Economic Development Center was established six years ago and has matured into a full service, regional delivery system for economic development services and programs. Recent proliferation of economic development programs and providers has led to confusion among potentially eligible communities, businesses, and individuals. Kirkwood has attempted to establish a single point of local contact that can provide them with the knowledge and ability to access all applicable economic development programs.

Our Business and Industry Training Center is responsible for the delivery of customized job training to business and industry, large and small. Staff consists of account representatives who are responsible for developing and coordinating the delivery of training to our client companies. Fulltime business and industry trainers have been hired in areas of specialization to provide onsite training, curriculum design, technical assistance and consultations to our region's companies. Our current projects include the development of the training program for Eastman Kodak's new 65 million dollar bio-manufacturing facility under construction in Cedar Rapids. The project will be assisted by a 3 million dollar training grant through Iowa's unique job training program.

Through the Industrial New Jobs Training Programs, since 1983, Kirkwood has provided over $13,000,000 in job training funding support to over 70 companies, assisting in the creation of 5000 new jobs in our seven county service area. Additionally, during FY89, Kirkwood provided customized, contracted, onsite training to over 2500 employees of 50 area companies.

The Region 10 Satellite Center of the Iowa Economic Development Network is also part of our Center. The Center is partially funded by a $65,000 state grant and administered by the college. The Center director provides a broad range of economic development technical support services to primarily the rural communities in our seven county region. The Center also administers the Try Iowa Program. The program is a free public service that helps Iowa businesses market their products and services throughout Iowa, the nation and the world. The Network includes a Primary Research Center in Des Moines and 16 regional Satellite Centers of which ours is one. The centers offer local marketing assistance to new and existing businesses of all sizes. The Primary Center and its satellite offices are electronically linked by a computer system and share a computerized database containing information on thousands of Iowa products and services. The data base is used by Network specialists to match potential buyers with Iowa suppliers. This Network has no equal in the U.S. Thirteen of the Centers are housed on community college campuses.

During the past three years Kirkwood's Satellite Center has written eleven successful Community Economic Betterment grant applications on behalf of nine rural communities supporting ten new and expanding businesses with $764,000 in financial support resulting in the commitment to create 368 new jobs. Additionally, the Center has assisted four rural communities in completing the state's Community Economic Preparedness Program and is working with six more in process. The Center has assisted in the formation of two county wide economic development organizations and wrote a successful Department of Natural Resources grant for $365,000 which will assist a rural Iowa business develop a tire recycling facility that will handle one half of the waste tires in Iowa annually.

The Satellite Center is directed by a regional coordinating council which I have chaired for the past three years. The Council consists of 45 individuals representing businesses, industry, government, education and economic development professionals from throughout our region. The Council is responsible for the coordination of economic development activities within our region and the preparation of an annual coordination plan.

The Center also houses the Iowa Procurement Outreach Center which is operated by the Iowa Department of Economic Development. It was established to assist Iowa businesses define marketing opportunities at the state and federal levels. The Center then assists the firms to compete successfully for government contracts. The Outreach Center delivers its resources through a network of professionals located at each of the fifteen community colleges in the state, the Small Business Development Centers, the Iowa State University Center for Industrial Research and Service offices and the Iowa Department of Economic Development. The Center is funded by grants from the federal government and the State of Iowa.

Kirkwood's New Business Center was opened on July 1, 1988. The NBC is a small business resource center and incubator located in a vacant elementary school in Marion, Iowa. The NBC is designed to serve a regional audience but is limited to mostly urban clients because of limited staff. The NBC works with individuals, small businesses and entrepreneurs who need assistance in preparing business plans, financial projections and any other assistance that might be necessary to get their business off the ground. The NBC is funded jointly by Kirkwood, the State of Iowa, the Cedar Rapids Chamber of Commerce, the Marion Economic Development Company and several area utilities and businesses. The center served 280 clients during its first fourteen months, provided tenancy to four new companies and assisted in the establishment of 8 new companies locating in commercial space.

The above resources that comprise Kirkwood's Economic Development Center have become an effective, comprehensive, well coordinated, delivery system serving our region. We're very proud of the job our staff is doing but we are only beginning to scratch the surface of the need that exists. The economic recovery that has been occurring in Iowa since 1986 has been more Robost in urban areas than in rural areas. Our rural areas need special considerations and greater access to state and federal programs if they are to recover, strengthen and diversify their economies. Often because of their remote location, declining resources, and lack of knowledge about available programs and services, smaller communities are at a disadvantage when trying to create a viable economic future.

To aid in meeting the needs of this constituency Kirkwood applied for and was successful in securing a three year grant of $231,426 from the Northwest Area Foundation of St. Paul, Minnesota in February of this year for establishment of a Rural Business Development Project. Kirkwood will provide a comprehensive set of services to rural residents wishing to start or expand small businesses in the seven counties served by the college.

This project will demonstrate the integral role in rural development that can be played by community colleges, and also will be used to stimulate new public policy designed to assist economically disadvantages rural residents.

Using project funds, Kirkwood has hired two full-time small business case managers who are working directly with clients in such areas as the selection of a business, preparing business and financial plans, and access to markets and financing.

The college will draw from its professional resources and expertise in the area of community revitalization to establish, maintain and expand business opportunities in the various markets. The project is being administered in cooperation with the school's Rural Development Center and New Business Center. It's estimated 990 clients will be served over the three-year period.

The establishment of our proposed Rural Business Development Project will enable Kirkwood to expand our existing resources and delivery system more effectively to our region's rural communities, businesses and farm families. We are excited about the potential this project holds for our region and state. We believe that we will be able to effectively develop and model for other community colleges in regions around the midwest a unique delivery system for dealing with rural poverty and job loss.

Four years ago, in response to the dramatic needs of our farm families, Kirkwood established its Rural Diversified Enterprise Center. The Center teaches farm families and business owners how to develop profitable ventures along with their traditional farming operations. Assistance is provided to rural constituents who are seeking new efficiencies and employment options. Personal and technical skills are identified, strengthened, and directed toward alternative enterprises in agriculture. Since its inception, the Center has worked with over 2500 clients in workshops, seminars, conferences and one-on-one counseling. Dales Cochran, Iowa Secretary of Agriculture is on the Kirkwood campus today to honor the accomplishments of the RDEC and to present the college with its second Agricultural Revitalization grant to support the ongoing activities of the Center.

Kirkwood has established a credible working relationship with our state government and legislature and look forward to assisting them in the development of new programs as an outcome of our project. Iowa is fully committed to the development of unique solutions to our rural problems as evidenced by Governor Branstad's budget for FY90. This years initiatives include the establishment of a Rural Enterprise Fund for a variety of programs under the direction of the Department of Economic Development's Rural Coordinator.

The fund includes a seed fund for community development and business expansion and creation; support for agricultural enterprise development to enhance farm family income; a productivity enhancement program focused on rural industry; the establishment of rural business incubators; rural infrastructure loans; and, a rural mainstreet program. These are all new initiatives that complement several successful programs established last year.

The above programs offer promise to our rural communities and businesses. Delivering them effectively is another matter. Our Rural Business Development project will provide Kirkwood a unique opportunity to develop and model that delivery system. We will not behave like a typical research university in the conduct of this project. We are hands on, action and results oriented. When we build new delivery capacities, we build them to be successful and established for the long term. We also take great enjoyment in being able to share our successes with others. Transferability of program capability between Iowa's community colleges has become a very fluid activity.

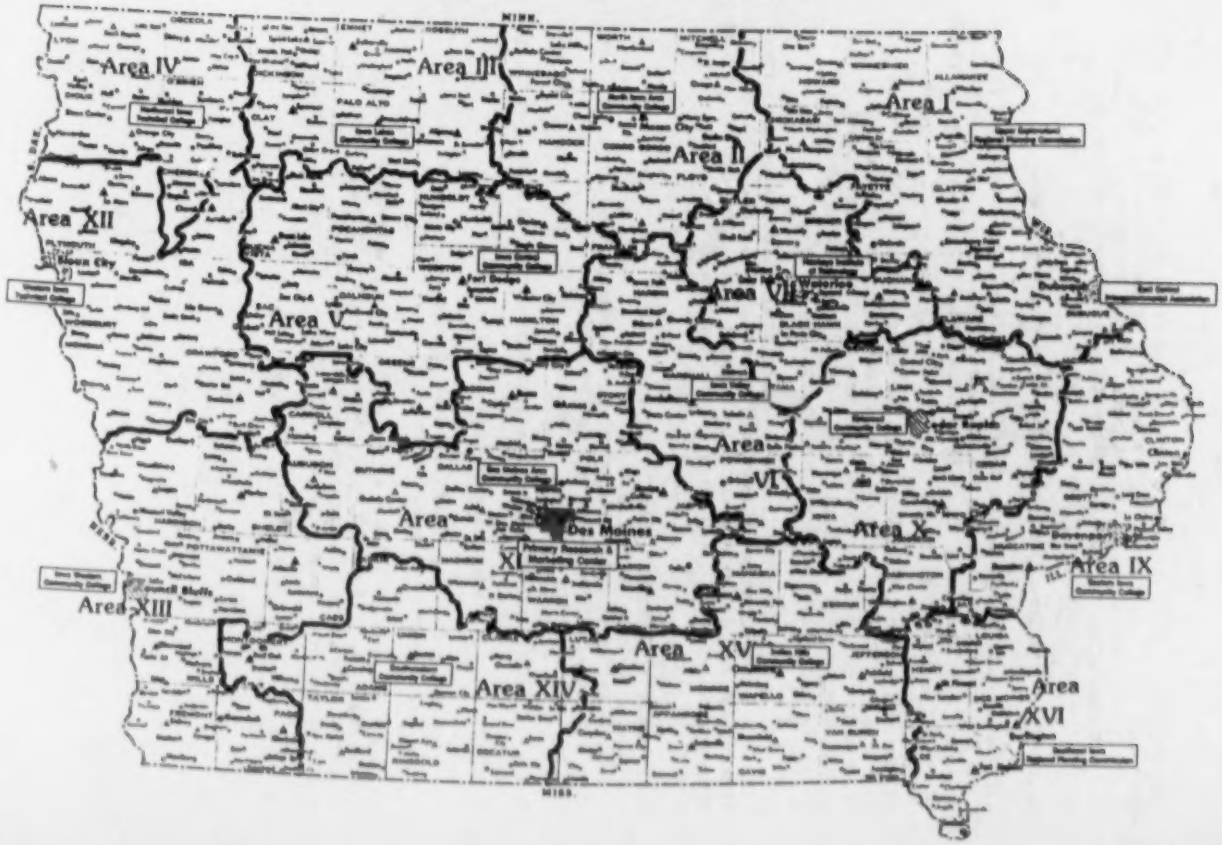
Our Economic Development Center capabilities coupled with our successful, nationally recognized Rural Diversified Enterprise Center offers a unique opportunity to model the impact a community college can have on our rural development problems. We welcome that opportunity.

We appreciate the opportunity to participate in your hearing process today and are prepared to assist your subcommittee in any way we can. Thank you Mr. Chairman for this opportunity.

(Attachment follows:)

Iowa Economic Development Network

Regional Satellite Center Locations



HEARING

Distinguished members of Congress, I appreciate the opportunity to speak with you today. I am here to do two things - the first is to communicate the efforts of the Independent Colleges and Universities in rural leadership development and second, to describe what we hope those efforts will lead to.

History of the Iowa Leadership Development Institute

The Iowa Leadership Development Institute was created in response to a presentation made by James Gannon, editor of the Des Moines Register, at the Small Town Symposium held in the spring of 1987 at Grinnell College.

In the months that followed, the Iowa Association of Independent Colleges and Universities, in cooperation with Governor Terry Branstad's office, put forward a proposal which recommended the utilization of the natural statewide network of Independent Colleges and Universities throughout Iowa.

The Iowa Leadership Development Institute, which began in January, 1988, is a cooperative two-year project between the Iowa Association of Independent Colleges and Universities, the Iowa Department of Economic Development and Iowa's investor owned electric and gas companies.

Iowa Leadership Development Institute centers have been designated on Independent College campuses in each of Iowa's six congressional districts. The goals of the Leadership Development Institute are to identify and nurture potential community leaders, and to assist those leaders in crafting achievable action plans.

Today we have 18 Independent Colleges and Universities participating.

Sixty-five rural Iowa communities participating.

Forty-nine leadership teams of 8-10 persons participating.
(more than one community)

In order to maximize Iowa's resources, the Leadership Development Institute has, and will, work cooperatively and creatively with existing community economic development programs, including three joint leadership programs with Iowa State University Extension.

To date over 500 individuals are participating.

The types of individuals involved are varied and include:

School board members/educators/ administrators

Retired citizens	Farmers
Insurance/real estate agents	Homemakers
Mayors/city council members	Area business middle managers
Chamber of Commerce executives	Main Street and Manufacturing business owners

Each leadership team is assessed a $2,000 participation fee that can be funded in a variety of ways, including "scholarship funds" made available to the Institute thanks to the Gannett Foundation, Pioneer Hi-Bred International and the Iowa Farm Bureau Federation. Total funding for the program is approximately $425,000, with $250,000 coming from the Iowa Department of Economic Development, $120,000 from the Independent Colleges and Universities, and $50,000 from Iowa's investor owned utilities. The Institute builds local capacity through priority identification, resource review, group decision making, team building and community networking workshops.

Community successes, directly or indirectly attributed to involvement in the Institute, are already occurring. A local economic development group has formed in Ossian, Riverside has recruited a new medical waste plant, Eddyville received a business incubator grant, Grimes recruited its first grocery store. Community foundations and local leadership programs are also rising up throughout Iowa. Our project ends in December of 1989. Where will the communities go after that date to develop local, knowledgeable and motivated leaders? The question leads us to the second reason I am here today.

(Attachments follow:)

Decorah Public Opinion
Tues., Sept. 27, 1988

FARM & BUSINESS

Searching for leaders

COORDINATOR of Iowa Leadership Development Institute, Wayne Wangsness, shown at left, is assisted in the program by Luther College student Greg Johnson. The program involves the search for would-be community leaders to complete projects of economic benefit to the area. (Decorah Newspapers photo by Randy Uhl)

Briefs

Iowa Leadership Development Institute

Workshop Two

Grinnell College
December 10, 1988

Introduction

Walter Smith
President, Thombert Inc., Newton

Panel -- Survey of Community Development Efforts

Gene McRill, Iowa Valley Insurance, Albion
J.C. Miller, Manatts, Brooklyn
Jim Molloy, First State Bank, Conrad

Panel -- Survey of Resources for Community Development

John Benson, Region 6 Planning Commission, Marshalltown
Darrell Book, District Director, FmHA
Mark Steinberg, Director, Economic Development, Iowa Valley Community College

Film -- "Discovering the Future"

Planning for Economic Development

Doug Reynolds, Dominion Associates

24-380 O—90—29

The Iowa Leadership Development Institute was created in response to a presentation made by James Gannon, editor of the *Des Moines Register*, at the Small Town Symposium held in the spring of 1987 at Grinnell College.

In the months that followed the Iowa Association of Independent Colleges and Universities, in cooperation with Governor Terry Branstad's office, put forward a proposal which recommended the utilization of the natural statewide network of Independent Colleges and Universities throughout Iowa.

The original proposal called for workshops and support systems aimed to nurture emerging leaders in rural Iowa, and at assisting community leaders in transferring broad dreams and visions into concise goals and objectives. Today, thanks to the Iowa Department of Economic Development, Iowa's investor owned Electric and Gas Companies, and the Iowa Association of Independent Colleges and Universities, the Iowa Leadership Development Institute is a reality.

Workshop #1

8:45 a.m.	Introduction Michael Hawthorne
8:55 a.m.	"Developing Leadership Skills for Community Action" Bob Zeller (Mr. Zeller's presentation is sponsored by Pioneer Hi Bred International)
12:00 p.m.	Lunch hosted by Grinnell College Luncheon speaker: President George Drake, Grinnell College
1:00 p.m.	"The Entrepreneurial Community" A Look at Starting Economic Development in Iowa Communities Dale Uehling, Wapello County Extension Roger Stevenson, Waverly Economic Development Co. Patti Witt, Grinnell 2000
2:30 p.m.	"Raising Money for Economic Development" Thomas Marshall, Grinnell College

The Des Moines Register
A Gannett Newspaper

Charles C. Edwards Jr., President and Publisher
Geneva Overholser, Editor

David Westphal, Managing Editor
Diane Graham, Deputy Managing Editor
James S. Flansburg, Editor of Editorial Pages
Richard Doak, Deputy Editor of Editorial Pages

THE REGISTER'S EDITORIALS

ROGER McMAHON

What you can do to save rural Iowa

HOW OFTEN must we hear of the demise of rural Iowa? As Mark Twain once said, "The reports of my death are greatly exaggerated." Our towns are not the same as they were 100 years ago. But what community is the same as when we grew up? Not my hometown of Des Moines. It has changed for the better and the worse since I was a child.

Lamenting the damage done to our communities by the passage of time is not the answer. Opportunity comes from optimism about the future, not longing for days past. Small- and medium-sized towns are facing changes and challenges they never knew existed 10 years ago. They have, in some cases, witnessed over the past 20 years the conditions of decline eat away at the towns they used to be. In most cases, they never knew what hit them.

But throughout Iowa, communities are fighting back, employing the pioneering spirit to successfully and creatively approach these challenges, changes and opportunities. Towns are preparing for the future, building their future on the foundation of the past and recognizing that our community, as in life, can't stop the hands of time.

Most often change sneaks by us in small doses, gradually leading to a different person and a different town. How should Iowa's rural communities learn, as many businesses did, to manage the change? How should Iowa's rural communities learn to act on the opportunities and meet challenges head-on?

One way is education — not purely classroom academics, but the involvement in a process where theory joins with common sense to make a stronger tomorrow for rural Iowa. This education isn't high-school English or college course work or continuing education, but the involvement in a process where people like you and me can make a difference. This education can be achieved through the Iowa Leadership Development Institute.

Twenty-one independent colleges and universities are partners with the Department of Economic Development and investor-owned utilities in the Iowa Leadership Development Institute.

Rural community and economic development is not for the faint of heart, nor is it for those unwilling to cooperate.

The institute's goals are to locate and develop new leaders, improve upon the skills of existing leaders and facilitate strategic action plans. Across Iowa, individuals from communities as small as 400 people and as large as 9,000 people are participating in a process that provides practical discussion on how to build the community development team, what skills are necessary to become a leader, how to plan and how to evaluate that plan.

But you don't think you're a leader? Few of us can equal the leadership skills of President Reagan, Martin Luther King or former President Kennedy. But most of us can be a leader in our town — in our own way.

Whether by leading the Scout troop, Industrial Development Organization or the chamber of commerce, each of us can be a leader.

Leaders follow, too. No one person can save a town. It is an effort on the part of an entire community that will provide the margin of victory. It will take a team of individuals, each with a specific expertise to provide the edge in our community. How we plan for and respond to the changes, challenges and opportunities will determine if our community will be praised or pitied in five years.

"Exciting" barely describes the challenges ahead for Iowa's communities. "Mundane" barely describes some of the tasks required to successfully meet those challenges.

Making a real difference in your community, being a community leader, takes a long-term commitment. Look around you — there are others in your town who have already made that commitment.

Rural community and economic development is not for the faint of heart, nor is it for those unwilling to cooperate.

Cooperation between the retail and manufacturing businesses in town. Cooperation between business and the work force. Cooperation between towns, even counties.

Iowans are known for their common sense. Cooperation makes good common sense. Identities will strengthen, not diminish.

As I travel the state, I see a picture puzzle of a strong and vibrant Iowa falling together piece by piece.

Don't count rural Iowa out just yet.

Roger McMahon is the director of the Iowa Leadership Development Institute.

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Excellent leadership plan

Iowa's private colleges haven't been used much as resources for economic development, but that oversight may be about to change. Twenty-seven colleges and universities have come up with a way to help brighten the future of Iowa small towns.

They hope to establish a statewide Leadership Development Institute to identify and train potential leaders and to help them work to make things happen in their communities.

The concept grew out of a symposium at Grinnell College. The thought was that Iowa needs a statewide effort to develop small-town leaders and some kind of clearinghouse to let communities across the state share experiences and learn from one another.

Private colleges to set up institute for locating and developing leaders for small towns.

The Iowa Association of Independent Colleges and Universities picked up the idea.

It's hard to think of a better group to do it. Independent colleges are located in almost every part of the state — from Decorah to Lamoni, from Mount Pleasant to Orange City. Their campuses have facilities for seminars, their faculties and students offer a reservoir of talent, and the colleges have deep roots in the communities.

Local colleges and local community leadership — it could be a marvelous marriage. The association deserves support in bringing the Institute into being.

It is seeking a $250,000 grant from the state Department of Economic Development. That would be added to $80,000 from the colleges, $120,000 from communities and a hoped-for $50,000 in corporate contributions to operate the Institute for the first two years.

Institutions that have agreed to participate are Briar Cliff, Buena Vista, Central, Clarke, Coe, Cornell, Dordt, Drake, Graceland, Grand View, Grinnell, Iowa Wesleyan, Loras, Luther, Marycrest, Morningside, Mount Mercy, Mount St. Clare, Northwestern, Saint Ambrose, Simpson, University of Dubuque, Upper Iowa, Waldorf, Wartburg, Westmar and William Penn.

The success of small towns is crucial to Iowa; fostering home-grown leadership is one of the keys. Only with strong leadership and broad involvement of the community can towns shape their own destinies, instead of accepting the fate that the demographic trends will bring.

The association envisions a program that not only identifies and trains leaders but follows up to help build the kinds of towns that are communities in the true meaning of the word.

The proposed Leadership Development Institute would tap into resources that already exist in Iowa but simply haven't been recognized for their potential. It's exactly the kind of thing Iowa needs to do more of — draw on inner strengths and promote economic development from within.

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A PROPOSAL FOR

A CENTER FOR COLLABORATIVE

RURAL LEADERSHIP DEVELOPMENT

July, 1989

Collaboratively Developed by:

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SUMMARY

Damaging impacts of the agricultural financial crisis of the early 1980s linger in Iowa's rural communities. Rural communities have experienced outmigration, including the loss of veteran leaders, and reduced economic activity.

Socioeconomic recovery, popularly referred to as revitalization, for rural Iowa must come from the people within their own communities. Residents need to develop leadership skills, a vision of their future, and an understanding of the value of cooperating with neighboring communities.

Two specially funded leadership development programs have been meeting needs of rural communities since 1987: Tomorrow's Leaders Today Program of Iowa State University Cooperative Extension Service (ISU Extension) and Iowa Leadership Development Institute sponsored by the Iowa Association of Independent Colleges and Universities. Although funding for both programs is at or near the end, the need continues for leadership development of people in rural communities.

Therefore, ISU Extension, in association with independent colleges, other regents institutions, the Iowa Department of Economic Development, and community colleges, proposes creating a **CENTER FOR COLLABORATIVE RURAL LEADERSHIP DEVELOPMENT** to provide sustained support for leadership development programs targeted to Iowa's rural communities. The Center, located within ISU Extension, will administer and oversee the entire process of developing and delivering leadership programs. The Center will provide curriculum, teaching outlines, and instructor training. ISU Extension will provide field support to leadership development programs throughout the state. Other Iowa institutions of higher education will contract to deliver the programs to local communities or clusters of communities.

The primary audience will be small communities, having a population of 3,000 to 10,000 residents, or clusters of small communities working in consort.

The curriculum will promote learning by doing, using an experiential model for leadership development. The model includes eleven sessions conducted during a ten-month period of time. The first five sessions will use a common core of curriculum; remaining sessions will vary to meet local needs.

Funding will pass through the Center, with leadership development programs being delivered under contract by other institutions. The first year budget of $550,000 will support start-up activities; succeeding years will require an annual budget of $881,000.

The success of leadership development programs requires sustained effort over several years. A staff is also vital to success. To demonstrate impact, the Center will require budget continuity for at least four years.

Leadership development programs hold great potential to revitalize Iowa's rural communities. With sustained funding for these programs through the proposed Center, local citizens will develop leadership skills to improve the quality of life and economic situations in their own communities. The Center will enable these citizens to revitalize their own communities.

BACKGROUND AND PROBLEM

Damaging impacts of the agricultural financial crisis of the early 1980s linger in Iowa's rural communities. Rural communities have experienced outmigration--not only of people and families, but of local leadership. Rural communities have also lost economic activity, especially retailing sales because retailing has become more concentrated in larger communities and shopping centers. Although larger cities and growth centers of Iowa have experienced some economic recovery, this recovery has not extended to most rural communities. Concerted efforts focused on local priorities are needed to bring economic recovery to rural Iowa.

Iowans in rural communities have a feeling of helplessness and frustration. They lack a vision of what is possible and what they can do to revitalize their communities. Outside organizations and people cannot revitalize rural communities. Residents of rural communities must become change agents to restore economic and social stability in their own communities. To accomplish this revitalization, residents need skills for leadership roles, community action, and economic development.

In addition, many rural communities have concluded that they cannot accomplish rural economic development by themselves. They must work collaboratively with neighboring communities to assemble a critical mass of people and other resources. However, rural communities have little experience in inter-community cooperation.

Since 1987, two state-wide leadership development programs have helped residents of more than 100 rural communities develop skills in leadership, community action, and inter-community cooperation:

1) Iowa Leadership Development Institute (ILDI), sponsored by the Iowa Association of Independent Colleges and Universities, Iowa's investor-owned utilities, and the Iowa Department of Economic Development.
2) Tomorrow's Leaders Today (TLT), delivered by Iowa State University Cooperative Extension Service (ISU Extension) and funded in part by a grant from the W. K. Kellogg Foundation.

Team building is important in both programs, not only within a community but across several communities. In addition, ILDI and TLT have become a role model of inter-institutional cooperation by jointly delivering leadership programs to three county-wide groups.

Although this model of cooperation among communities and educational providers holds great potential to revitalize rural Iowa, funding for ILDI and TLT will run out long before many communities will have the opportunity to develop leadership skills of their residents. The ILDI will use its remaining dollars by December 1989; 1989-90 is the last full year of grant support for TLT, with partial funding in 1990-91. The critical need is for sustained funding.

PROPOSED CENTER

Therefore, ISU Extension, in association with the independent colleges, other regents institutions, the Iowa Department of Economic Development, and the community colleges proposes instituting a CENTER FOR COLLABORATIVE RURAL LEADERSHIP DEVELOPMENT. The Center would assist emerging and existing rural leaders from multi-community clusters or individual communities to develop personal and team skills needed for creating and implementing community development plans. The Center would foster cooperation among public and private sectors in the delivery of educational programs and would provide the sustained funding needed for leadership development in rural communities.

Collaboration

The Center will be a collaborative arrangement between Iowa State University and other regents institutions, independent colleges and universities, and community colleges. The Center's staff will be supported by ISU Extension; other educational institutions will work in a collaborative manner to deliver programs under contractual arrangements.

The Center will be governed by a Board of Directors composed of representatives of the collaborating institutions and agencies, with at large representation from people not connected to the Center. In addition, there will be an advisory committee composed of citizens and institutional representatives interested in leadership development programs. The advisory committee will review contract proposals and will make recommendations to the Board. The Board will make final decisions on allocations of contracts.

The Center will combine the expertise and experience of existing leadership development programs with the expertise of Iowa's community colleges, programs of other regent's institutions (i.e. UNI's Institute for Decision Making and U of I's Institute for Public Affairs), the Iowa Department of Economic Development, and USDA community development staff. Through collaborative efforts, the Center will:

- be a cost effective approach to community leadership development by utilizing available service providers in a cooperative model.
- act as a demonstration project of national significance in rural leadership development.
- join forces of public, private and independent sectors.

Continuity

The Center needs to have continuity over several years to demonstrate its effectiveness. The payoff from leadership development programs is not immediate, but takes several years to show results. Therefore, the proposed Center needs a life of at least four years to develop and maintain continuity with the programs and the communities with which it works.

With sustained continuity, the Center will serve communities and the State of Iowa by providing:

- leadership development workshops and consultations,
- coalition building among communities,
- community needs assessments,
- community project identification and implementation,
- applied rural leadership research, and
- better access to the various public and private assistance programs for communities.

Sustained continuity will position the Center as a national model for rural leadership development. The model could be replicated in other states to demonstrate benefits of cooperation among both communities and educational institutions.

Components and Operation

Three functional components of the proposed Center include: 1) the actual Center itself, 2) support services provided by ISU Extension, and 3) contractors for program delivery. The key to the success is continued interaction and cooperation between the various components of the service delivery system.

Tasks of the Center. The Center will administer and oversee the entire process of developing and delivering collaborative leadership programs. Specific tasks of the Center are to:

- contract with institutions for delivery of leadership development programs.
- evaluate and monitor contracts for quality control.
- develop and refine the core curriculum.
- develop educational materials needed to deliver quality programs.
- provide training for instructors of leadership development programs.
- provide training for program coordinators.
- promote the program to potential contractors and develop agreements to deliver educational programs.
- develop promotional materials to market benefits of the program to communities.
- conduct applied research on new strategies for leadership development.

Support Services of ISU Extension. To support the delivery of programs to local communities, ISU Extension will:

- assist in coordinating and monitoring local programs.
- provide consultation and support to contractors to assure delivery of quality local programs.
- provide direct teaching at programs.
- consult on program development.
- conduct needs assessment to tailor programs to needs of local community.
- provide follow up services to communities or clusters of communities to assure full benefits from educational programs.

Contractors for Program Delivery. The Center will contract with educational institutions for actual delivery of programs to local communities or clusters of communities. Eligible contractors include Iowa independent colleges, Iowa community colleges, or ISU Extension. Specific responsibilities of contractors are to:

- coordinate and conduct leadership development programs.
- make arrangements for meeting sites, meeting dates, and other details.
- develop specific agendas for each meeting.
- provide teaching staff who have participated in the Center's training program.
- provide follow-up services to communities during and after completion of educational programs.

Community Eligibility

To participate in educational programs of the Center, communities will satisfy one of the following criteria:

1) Three or more communities working in consort as a neighborhood cluster of communities (no individual community over 10,000 population), or
2) An individual community with a population of between 3,000 and 10,000.

The Curriculum

Leadership development programs of the Center will promote learning by doing. Each session will combine knowledge development with skill building and practice. The curriculum will consist of eleven sessions conducted over a ten month period of time. The first five sessions are relatively standard for all classes. Sessions six through eleven will be customized to reflect the particular issue(s) of participants. (See Appendix A for the objectives of each session.) The approach for multi-community leadership focuses on developing leadership to improve the quality of life for rural communities by cooperating with other communities. The approach for individual community leadership has similar concepts without the emphasis on inter-community cooperation.

Research Activities

There is a lack of current research on leadership in rural communities and effective ways for communities to work together. Therefore, a component of the Center will examine these and related topics. A specialist in leadership development will be hired by the Center to coordinate research activities. Applied research projects may be carried out by the ISU Extension specialists located in seven areas of the state. Research activities of the Center will contribute to the knowledge base related to rural leadership and collaboration. The research will also be applicable to real world situations.

FUNDS REQUIRED

As illustrated in Table 1, the Center will require funds to support organizational tasks, additional support staff needed by ISU Extension, and contracts with eligible institutions for program delivery. The first year budget includes staff and support for the Center, additional Extension field staff, initial research projects, materials development, and 14 leadership program contracts--12 with clusters of communities and two with individual communities. The estimated budget for the second and succeeding years increases the research and materials development components, provides more Extension field staff support, and increases the number of contracts to 25--with 20 clusters of communities and 5 individual communities. The budget details for staff positions and functions are included in Appendix B.

Table 1. Summary of Annual Funds Required

Functions	1st Year	Succeeding Years
Center		
Salaries & Benefits	$165,000	$165,000
Support	63,000	68,000
Research	25,000	50,000
Materials Development	15,000	40,000
ISU Extension Field Staff	132,000	308,000
Contracts	150,000	250,000
TOTAL	$550,000	$881,000

By investing these resources over a sustained period of time, the State of Iowa will develop human resources needed for rural revitalization. Rural Iowans will demonstrate leadership skills. Rural Iowans will improve the social and economic fabrics of their own communities by carrying out community and inter-community action plans.

IMPACT OF THE CENTER

The proposed CENTER FOR COLLABORATIVE RURAL LEADERSHIP DEVELOPMENT will mobilize human resource potential in Iowa's rural communities through an on-going program of leadership development. The Center will help local leaders develop skills and cooperative relationships to implement plans of action in Iowa's rural communities.

The Center will impact rural communities by improving attitudes, increasing capacity to deal with problems, increasing cooperative efforts among communities, broadening visions of possibilities for rural revitalization, and identifying and mobilizing resources to address community issues.

The Center will also impact the State of Iowa by increasing the climate of cooperation among institutions of higher education. The Center will be a catalyst, moving institutions toward a common goal and revitalizing rural communities for the 21st century.

APPENDIX A

CURRICULUM

Session 1 - Commitment

Objective: to acquaint participants with the program and each other. Staff present an overview of community development through clustering. Community teams are asked to develop a slide show which will introduce their respective community to the others.

Session 2 - Personality Types and Leadership

Objective: to gain insight into one's identity and affirm one's self concept; and to understand how personality types relate to leadership styles and individual leadership strengths and limitations.

Session 3 - Community Identity

Objective: to develop community identity as a foundation for cooperation and to strengthen relationships with existing leadership. Each community presents its slide show. Staff help participants apply the concepts of individual leadership styles and group structure to the process of developing their slide shows.

Session 4 - Groups

Objective: to build understanding of why groups are important and how to make them work for us. Staff present an overview of group phases, emphasizing group formation. Participants use formal brainstorming to generate project ideas. Participants also share results of informal needs assessment.

Session 5 - Sharing

Objective: to promote inter-cluster networking and to initiate action on cluster ideas. This session is a two-day retreat held in Ames at Iowa State University. The retreat includes presentations on community development, communications and the future of rural communities. Each cluster presents its slide show. Participants review and assess the feasibility of project ideas generated in session four. They commit themselves to a cluster project, and identify additional community leaders to be involved in their project.

Session 6 - Economic Development

Objective: to explore alternative strategies for economic development for the communities. This will include determining which strategies would be most appropriate for the community or cluster of communities and how to proceed to implement economic development strategies.

Session 7 - Action Planning

Objective: to begin working on projects. Participants will be introduced to an action model to be used for project planning. The model will be illustrated using local examples as shared by local leaders.

Session 8 - Perspectives

Objective: to show participants an outsider's perspective of their cluster. Participants will also learn how to use illustrations to help promote their project ideas.

Session 9 - Implementing Action

Objective: participants will involve other community leaders in their project planning. Teams will prepare to present their ideas to the public. Local leaders work with participants on cluster projects.

Session 10 - To Be Or Not To Be

Objective: to explore options for continued cluster organization. This may include a new organization or involvement in existing organizations. The basics of organizational effectiveness will be discussed.

Session 11 - Celebrate

Objective: to introduce newly trained leaders to the community, to mark the official end of the course, and to motivate for continued action. The session includes a review of the participants' plans for cluster action and organization.

Kirkwood
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319/398-5411

A Personal Note From the Director of the RDEC.

We are very excited about opportunities to be of assistance to you through our Rural Diversified Enterprise Center (RDEC). By now, we have seen many new and useful rural enterprises developed, and we have shared in the excitement as many farm and rural clients developed new goals and directions for their lives. We feel that the best way we can share in that progress is to promote the continued use of our instructional packets which are contained in this folder. These packets explain classes, workshops, field days, institutes and other activities that lead to the start of profitable enterprises in the rural communities.

If you are unsure of what your next step should be, and unclear about personal and career objectives, give us a call and arrange a time to visit with our counseling staff. In addition, our outreach coordinator is happy to schedule a visit to your home and is skilled in investigating options that are available close to home.

Finding the money to participate in our programs may be of concern to you. Please feel free to inquire about our financial assistance. Generally, we find that our clients pay their tuition in any of a combination of the following methods . . .

1) With financial assistance, up to 100%, from JTPA grants available to those who apply in advance. Farmers wishing to stay on the farm may also be eligible. These grants are through your local JTPA office, check with them.
2) By applying to our scholarship account which is maintained by the Kirkwood Foundation. This program is funded by contributions from those who have a strong interest in seeing that education is available to all those desiring it. (Particularly suited to Kirkwood District residents.)
3) By qualifying for other college aid. Included here are Pell Grants, Guaranteed Student Loans, Vocational Work Study, college scholarships and special community grants. (For one-half or full-time student.)
4) Or by paying the tuition and fees yourself.

Our instructional packets are available in a variety of forms. For instance, we offer demonstrations, field days, on-the-job practicums, training institutes, workshops, seminars, travel courses, classes for college credit or continuing education (CEU), and some correspondence or sessions in our community learning centers.

A special problem may be your distance from Kirkwood. May I suggest that if this is the case, you consider either scheduling a time when you can do an on-the-job practicum with one of our practitioners, or work with us in putting together a special training institute in your home area.

We endeavor to schedule our classes and meetings as often as possible, but we do need to have enough persons at each location to justify a class. Please call to check our calendar of activities to be sure of when the program you're interested in is scheduled.

Welcome to Kirkwood.

Larry

Larry L. Statler, Director

K *A Purpose in Mind*

KIRKWOOD
COMMUNITY COLLEGE
6301 Kirkwood Blvd., S.W.
Cedar Rapids, Iowa 52406

RDEC Programs Available

Rural Business Management (Five packets)
Planning Rural Enterprise Alternatives
Better Business Records (Rural Business Seminars)
Marketing Rural Enterprise Products
Farm Financial Alternatives
Managing a Small Farm

Field Crop Production (Three packets)
Low Input Crop Practices
Forage and Grass Alternatives
Integrated Conservation Management (Groundwater)

Specialized Crops & Foods (Three packets)
Fruit and Vegetable Production/Marketing
Production of Herbs, Field Grown Flowers & Ornamentals
On-Farm Processing (Specialty Foods)

Home-Based Business (Four packets)
Farm Vacations and Tourism (Farm Host)
Country Crafts
Farm Catering
Home-Based Repair Shops (Small Engine Repair)

Animal Production (Six packets)
Sheep Production
Swine Production & Management
Dairy Goat Production
Game Bird Enterprises
Fish Farming
Rabbit Production

For More Information:
319-398-5699
Kirkwood Rural Diversified Enterprise Center

For more information call 319-398-5699

RDEC

KIRKWOOD
COMMUNITY COLLEGE
6301 Kirkwood Blvd., S.W.
Cedar Rapids, Iowa 52406

Planning Rural Enterprise Alternatives

A Kirkwood Rural Diversification Training Packet

Basic introduction to principles of rural diversification. Recommended for all RDEC clients. Principles of diversification are essential to those interested in improving their financial situation.

1. **Inventory Your Farm's Options** — **12 - 16 hours**

Workshop focuses on resources your business currently has, and how they can be alternatively organized to produce additional income. Worksheets used to identify areas where existing resources are being under-utilized and/or to identify a new business enterprise.

Session I Profit Center Diversification
Session stresses importance of developing an income from several individual sources (diversification) as opposed to operating an enterprise in one specialized area.

Session II Sweat Equity
Available labor is a most valuable asset. Course stresses importance of selecting and developing enterprises that yield highest return on labor throughout the year.

Session III Value-added Diversification
Ways to help you realize as much of the retail value of your product as possible through direct marketing and/or on-farm processing. Emphasis on using by-products for income, or simply adding value to enterprises you already have.

Session IV Cost Containment
Diversification includes keeping cost of production under expected selling price. Careful business planning and choosing the best marketing method are two examples of cost containment presented in this course.

2. **Creating a Business Plan** — **24 - 32 hours**

In starting a new business, or expanding existing enterprises, a sound business plan is essential. This session stresses organization, marketing, budget, cost containment and developing a business plan for your new enterprise.

Sessions include instruction on business organization, marketing, budgeting and cost containment.

For more information call 319-398-5699

RDEC

THE UNIVERSITY OF NORTHERN IOWA

The University of Northern Iowa fulfills a mission to all Iowa that is uniquely Iowa; over 96 percent of our students are from Iowa, and many remain after graduation -- as professionals, teachers, business leaders. The University's 11,500 students represent all 99 Iowa counties.

An enrollment cap of 11,500 was set at the University by the Iowa State Board of Regents in 1986. A limitation was requested because state appropriations to the University had not been increased commensurate with the growth of undergraduate Iowa students, and the University did not have faculty and resources to provide a quality educational experience.

An improving state economy permitted some additional resources to be appropriated to Northern Iowa during 1988 and 1989, and as a result, the Board of Regents lifted the enrollment cap in April. Enrollment for fall 1989 is expected to exceed 11,500, with the growth again coming from undergraduate Iowa students. It is conceivable that the growth could be such that the University's ability to provide classes will again be severely strained.

Quality undergraduate education, with complementary programs at the master's, specialist's, and doctoral levels, remains the cornerstone of the University of Northern Iowa's mission. Undergraduate education is built upon one of the most rigorous general education programs of any university in the country. Building on its historic strength in teacher education, the University has developed many fine programs in its Colleges of Business Administration, Humanities and Fine Arts, Natural Sciences, Social and Behavioral Sciences, and the Graduate College.

The University's heritage and philosophy place great value on providing a student-centered educational experience. This means that faculty, not graduate students, teach undergraduate students; that extra-curricular activities promote leadership and team-building skills; that a strong system of academic advising is based on personal needs; and the University's student services help realize the student's talent and potential.

The University has become a valuable resource for communities and small businesses in Iowa, helping entrepreneurs with new businesses, offering training and technical assistance for existing businesses, and assisting community leaders in their development efforts. In short, the University is helping Iowa to diversify and expand its economic base, contributing greatly to an economic renewal.

Communities and businesses statewide have benefitted from Northern Iowa's many economic development initiatives. The External Services Division of the College of Business Administration serves as a resource center to assist businesses and organizations in the profit and not-for profits sectors, as well as providing economic development assistance to communities.

Additional programs assisting communities include the Iowa Waste Reduction Center (IWRC) and the Office of Community Services. The IWRC is a unique service in Iowa that helps businesses safely and economically manage their solid and hazardous wastes. The Office of Community Services links University resources with Iowa's communities and business leaders to solidify economic development plans.

The University's Continuing Education and Special Programs Division offers credit courses and programs that are developed and delivered in response to the educational needs of a specific community or organization. These offerings extend the University's resources throughout the state. The Department of Industrial Technology offers a management-oriented technical program balanced with studies drawn from a variety of disciplines related to industry. The Department also emphasizes cooperative ventures with industry, including training and development and assisting in solving production problems.

Now, the University is poised to bring its strengths to programs with national, even international, significance. Northern Iowa's goal is to be one of the nation's outstanding teaching universities, a true leader in teacher education, business, technology, sciences and the liberal arts.

(Additional attachments are held in the committee files.)

The City of
BELLE PLAINE

TELEPHONE 319-444-2200
EIGHTH AVENUE & THIRTEENTH STREET ● BELLE PLAINE, IOWA 52208

August 10, 1989

The Honorable Dave Nagle
House of Representatives
Congress of the United States

Dear Congressman:

Since your election to the House of Representatives, I honestly feel you have done an excellent job keeping abreast of the pulse of small cities in the state of Iowa. You have asked thousands of Iowans questions about every facet of their cities and I would not come close to estimating the large number of meetings you have attended in the state to get the "feel" of the people and the needs of the communities you serve.

I honestly think the framework for assisting small cities through Community Development Block Grants has been established and there is absolutely no need to set up another group through the Rural Electrification Administration to administer federal funds to assist the Belle [illegible] across our nation. To my knowledge, as Mayor of the city of Belle Plaine for over five years, a representative of the REA has never visited our community, so how in the world would they have any knowledge of our needs?

I do believe the idea of cities the size of Belle Plaine must come up with a one-third matching funds for CDBG is on the high side. The larger cities of the state receive such funds solely because they exist. I could never fathom the reasoning when the Belle Plaines must compete against each other for CDBG grants.

Possibly consideration should be given to the so-called "track record" of cities and their accomplishments over the past 10 to 15 years.

My best regards,

R. O. Burrows, Mayor
The City of Belle Plaine
Belle Plaine, Iowa 52208

STATEMENT BY DONALD G. CHAPLAIN, EXECUTIVE DIRECTOR, CHARLES CITY IOWA AREA DEVELOPMENT CORPORATION BEFORE THE HOUSE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT.

Mr. Chairman and members of the subcommittee, I represent a non-profit community based development corporation that is pro-actively involved in economic development activities in rural Iowa. To give you some background, my community has a population of 8,500 and is the largest community as well as the county seat in a county of slightly more than 18,000 people. We are located in Northeast Iowa some sixty miles from the Waterloo-Cedar Falls area.

Although agriculture is an important part of our local economy, as it is throughout most of Iowa, Charles City also has a fairly large industrial base for a community our size. More than 5,000 people are involved in non-agricultural employment. Major employers include White-New Idea Farm Equipment Company, Salsbury Laboratories, Diversified Fasteners, Sherman Nursery, plus a number of smaller employers.

Our development efforts involve the three traditional areas of activity including efforts to attract new employers, help existing employers expand their operations plus working with beginning businesses to assist in their development.

We have a number of "tools" in place to assist in these efforts including a Small Business Incubator, a Revolving Loan Fund, a business assistance committee plus an on-going industry recruitment and contact program.

To assist in our local efforts we have used state financing programs, federal bloc grant funding, utility assistance plus the involvement of our local financial institutions and the city/county government. We used these resources not because we were "rural" but because we had a need to create opportunities for our residents. We have in the past given our full cooperation and support to development efforts located not only outside our city proper but also outside our county because any improvements in our region may well serve to benefit us in the future.

At a time of generally declining population and resources, the communities in our area need more than ever before to work together and overcome artificial political boundaries. I'm concerned about the issue your committee is considering as to allowing only certain segments of rural areas to receive development assistance. To suggest that funding be available only in areas located within an even more artificial boundary (ie., electrical service areas) seems to be counter to what is needed in the rural areas of Iowa today.

Often programs are proposed and then implemented that require local financial involvement and yet depend upon far removed approvals to begin the project. I would urge the committee to consider that if a local match is necessary to access available funds that credit for such a match be allowed for substantiated infrastructure improvements made for the project rather than crediting only direct financial assistance to the company. A committment for improvements by a local taxing body certainly demonstrates local involvement and support of the project.

Based on the discouraging experiences in delays and red tape with the FRED program, I would also ask that you consider implementing any new programs through existing agencies. However, approval authority must be decentralized to the lowest possible level. This course would seem better then either establishing a new entity or bringing in a third party to administer the program.

I recently completed a year as President of the 200 plus member Professional Developers of Iowa. I think that experience provided me with some insight as to the diversity and difference of opinions that exist within even Iowa, let alone the entire country, as to how best to achieve meaningful assistance for rural development. One of the most consistent concerns I often heard expressed by my contemporaries in economic development regards the proper and equitable administration of assistance programs. A merit evaluation of each project in competition with others is an accepted method of designating recipients of assistance. However, to not be eligible to be considered for such a review because of arbitrary geographical limitations originally established for entire different purposes would certainly not be acceptable to all.

Thank you for the opportunity to provide my comments to your committee.

STATEMENT OF

BILL GIPSON

ECONOMIC DEVELOPMENT MANAGER

THE EMPIRE DISTRICT ELECTRIC COMPANY

ON BEHALF OF

THE EMPIRE DISTRICT ELECTRIC COMPANY

TO THE SUBCOMMITTEE ON

CONSERVATION, CREDIT AND RURAL DEVELOPMENT

COMMITTEE ON AGRICULTURE

U.S. HOUSE OF REPRESENTATIVES

AUGUST 11, 1989

THE EMPIRE DISTRICT ELECTRIC COMPANY IS AN INVESTOR-OWNED ELECTRIC UTILITY HEADQUARTERED IN JOPLIN MISSOURI. EMPIRE SERVES A 10,000 SQUARE MILE REGION IN SOUTHWEST MISSOURI, SOUTHEAST KANSAS, NORTHEAST OKLAHOMA AND NORTHWEST ARKANSAS. EXCEPT FOR JOPLIN, THE LARGEST COMMUNITY SERVED BY EMPIRE IS NEOSHO, MISSOURI, WITH A POPULATION OF 9,493. A FULL 82 PERCENT OF THE 119 INCORPORATED COMMUNITIES SERVED BY EMPIRE WOULD BE CONSIDERED "RURAL" ACCORDING TO THE PROPOSED S.1036. THESE COMMUNITIES RANGE IN SIZE FROM GERSTER, LOCATED IN ST. CLAIR COUNTY, MISSOURI, WITH A POPULATION OF 45 TO AURORA, LOCATED IN LAWRENCE COUNTY, MISSOURI, WITH A POPULATION OF 6,437. THESE RURAL COMMUNITIES AND THEIR INHABITANTS ARE THE BACKBONE OF OUR REGION FROM ALL ECONOMIC AND CULTURAL VIEWPOINTS.

ECONOMIC OR INDUSTRIAL DEVELOPMENT IS NOT NEW TO EMPIRE OR TO THE REGION IN WHICH WE SERVE. EMPIRE'S INDUSTRIAL DEVELOPMENT EFFORT BEGAN IN 1946. DURING THE FIRST 12 YEARS OF THE PROGRAM, 230 MANUFACTURING PLANTS WERE OPENED IN THE TERRITORY, EMPLOYING OVER 6,500 PERSONS. OUR PARTNERSHIP WITH LOCAL AND STATE DEVELOPMENT GROUPS WAS PAYING GREAT DIVIDENDS IN THE AREA. MOST IMPORTANTLY, EMPIRE NEVER STOPPED THE EFFORT. EXISTING INDUSTRIES OFTEN NEEDED TECHNICAL HELP WITH EXPANSION PROJECTS, AND OUR INDUSTRIAL DEVELOPMENT EFFORT GREW TO PROVIDE THAT ASSISTANCE.

EMPIRE WAS INSTRUMENTAL IN ESTABLISHING MANY LOCAL

DEVELOPMENT EFFORTS IN ORDER TO BRING INDUSTRIAL JOBS TO THE RURAL COMMUNITIES IT SERVED. EMPIRE'S MANAGER OF INDUSTRIAL DEVELOPMENT WORKED MANY LONG AND TEDIOUS HOURS TO HELP ORGANIZE WHAT IS NOW THE MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT.

TODAY OUR PROGRAMS FOR ECONOMIC DEVELOPMENT ARE DIVERSE. EMPIRE PROVIDES COMMUNITY PROFILES USED BY SITE CONSULTANTS, INDUSTRIAL REALTORS AND INDUSTRIAL PROSPECTS EXPLAINING THE MANY ATTRIBUTES ABOUT A COMMUNITY. WE MAINTAIN AN INVENTORY OF THE AVAILABLE INDUSTRIAL SITES AND BUILDINGS IN OUR REGION. THE SITES AND BUILDINGS INVENTORY, AS WELL AS COMMUNITY PROFILES, ARE MAINTAINED IN THE STATE DEVELOPMENT DEPARTMENT'S COMPUTER SYSTEMS (WHERE APPLICABLE) BY EMPIRE.

EMPIRE CONDUCTS MASS MAILINGS OF COMMUNITY DEVELOPMENT BROCHURES AND AVAILABLE BUILDING BROCHURES TO TARGETED INDUSTRIAL GROUPS. EMPIRE BEARS THE ENTIRE COST OF THIS MAILING AND PAYS A LARGE PORTION, IF NOT THE ENTIRE COST, OF THE BUILDING AND COMMUNITY BROCHURE.

EMPIRE RECENTLY BEGAN A COMMUNITY ECONOMIC DEVELOPMENT VIDEO PROGRAM. THIS PROGRAM IS DESIGNED WHERE THE FIRST ONE-HALF OF THE VIDEO EXPLAINS THE ATTRIBUTES OF THE REGION; i.e., LABOR, TRANSPORTATION, UTILITIES, RECREATION, CULTURE, ETC. THE SECOND ONE-HALF SHOWCASES THE COMMUNITY, DETAILING THOSE SPECIFIC ELEMENTS THAT MAKE THE COMMUNITY AN EXCELLENT CHOICE

FOR A NEW OR EXPANDING INDUSTRY. IN THIS PROGRAM, EMPIRE PAYS FOR 75 PERCENT OF ALL PRODUCTION COSTS.

EMPIRE PROVIDES ASSISTANCE WITH THE PURCHASE OF LAND FOR INDUSTRIAL PURPOSES, BOTH SPECULATIVE AND WITH A SPECIFIC INDUSTRY. EMPIRE ALSO PARTICIPATES IN SPECULATIVE SHELL BUILDINGS, UP TO ABOUT 20 PERCENT OF THE TOTAL PROJECT. EMPIRE HAS PARTICIPATED IN THREE SPECULATIVE BUILDINGS RECENTLY AND TWO BUILDINGS ARE PLANNED FOR THE VERY NEAR FUTURE.

AT EMPIRE WE ARE ALSO INVOLVED IN THE TYPICAL MARKETING APPROACHES TO ECONOMIC DEVELOPMENT. WE ADVERTISE THE REGION IN NATIONAL "TRADE" (DEVELOPMENT PUBLICATIONS) MAGAZINES. WE ATTEND TRADE SHOWS, MARKETING AND IMPACT TRIPS ON BEHALF OF THE REGION. WE PARTICIPATE IN CONFERENCES IN MAJOR METROPOLITAN AREAS DESIGNED TO EDUCATE THOSE INDIVIDUALS ON THE BENEFITS OF LOCATING OR RELOCATING IN RURAL AMERICA.

FINALLY, EMPIRE ENCOURAGES LOCAL COMMUNITIES TO PARTICIPATE IN ECONOMIC DEVELOPMENT EDUCATIONAL SEMINARS. RECENTLY, NEARLY 30 INDIVIDUALS FROM PREDOMINATELY RURAL COMMUNITIES ATTENDED, ALONG WITH EMPIRE, THE STATE OF MISSOURI'S "GOVERNOR'S ECONOMIC DEVELOPMENT CONFERENCE."

I WOULD LIKE AT THIS TIME TO DETAIL SOME OF THE SUCCESS STORIES FROM OUR REGION.

COLUMBUS, KANSAS (POPULATION 3,426): EMPIRE, WITH FIVE OTHER INVESTORS, CONSTRUCTED A 40,000 SQUARE FOOT SPECULATIVE SHELL BUILDING IN THE COLUMBUS INDUSTRIAL PARK. THIS BUILDING HAS SERVED TO BRING SEVERAL INDUSTRIAL PROSPECTS TO COLUMBUS, WHO WOULD OTHERWISE NOT HAVE CONSIDERED THIS COMMUNITY. CURRENTLY A MAJOR AUTO PARTS MANUFACTURER IS NEGOTIATING TO LEASE THE FACILITY FOR AN EXPANSION PROJECT. THE INVESTORS PLAN TO IMMEDIATELY BUILD ANOTHER SPECULATIVE SHELL BUILDING ONCE THIS TRANSACTION IS COMPLETE.

AURORA, MISSOURI (POPULATION 6,437): EMPIRE HAS ACTED AS THE LIAISON BETWEEN THE ECONOMIC DEVELOPMENT GROUP IN AURORA AND THE MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT IN ORDER FOR AURORA TO UTILIZE A STATE OF MISSOURI PROGRAM TO ERECT A 50,000 SQUARE FOOT SPECULATIVE SHELL BUILDING. THROUGH THIS PROGRAM, THE STATE OF MISSOURI LOANS FUNDS TO THE COMMUNITY BACKED BY LETTERS OF CREDIT. EMPIRE HAS VOLUNTEERED TO ASSIST IN THESE LETTERS OF CREDIT.

OZARK, MISSOURI (POPULATION 2,980): EMPIRE, WITH THREE OTHER INVESTORS, PURCHASED AN 80 ACRE TRACT OF LAND TO FORM THE OZARK INDUSTRIAL PARK. THE FIRST TENANT IN THE PARK IS TRACKER MARINE CORPORATION. TRACKER WILL BUILD RECREATIONAL BOAT TRAILERS TO SERVE ITS NATIONWIDE MARKETING OF TRACKER BOATS. THE COMPANY ANTICIPATES

EMPLOYMENT TO REACH 120 PERSONS WHEN FULLY OPERATIONAL. PLANS ARE BEING FINALIZED FOR THE SECOND TENANT IN THE PARK. THIS FIRM WILL MANUFACTURE ALUMINUM WINDOWS AND DOORS.

BUTTERFIELD, MISSOURI (POPULATION 243): GEORGE'S POULTRY IS CONSTRUCTING A MULTI-MILLION DOLLAR POULTRY PROCESSING FACILITY THAT WILL ULTIMATELY EMPLOY SOME 250 INDIVIDUALS IN RURAL BARRY COUNTY. THIS INDUSTRY ORIGINALLY CONTACTED THE EMPIRE OFFICE IN PIERCE CITY, MISSOURI WHERE THEY WERE INTRODUCED TO THE ECONOMIC DEVELOPMENT GROUP WITHIN EMPIRE. EMPIRE PERSONNEL THEN HELPED GEORGE'S TO SECURE ASSISTANCE FROM LOCAL AND STATE DEVELOPMENT ORGANIZATIONS.

BAXTER SPRINGS, KANSAS (POPULATION 4,773): EMPIRE WAS RESPONSIBLE FOR PREPARING, ON BEHALF OF THE COMMUNITY, THE PROPOSAL TO ROBERT BLACK, R.E. BLACK, INC. BLACK RECONDITIONS RUBBER INDUSTRY MACHINERY AND EMPLOYS 30 PERSONS IN BAXTER SPRINGS. EMPIRE ALSO ACTED AS A CATALYST BETWEEN BLACK AND THE LOCAL FINANCIAL INSTITUTIONS.

AURORA, MISSOURI (POPULATION 6,437): LITTLE TIKES, DIVISION OF RUBBERMAID, INC. WAS FIRST DIRECTED TO AURORA THROUGH EMPIRE'S EFFORTS TO MAKE THE MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT AWARE OF AN AVAILABLE

BUILDING IN AURORA. LITTLE TIKES DOUBLED THE SIZE OF THIS FACILITY AND NOW EMPLOYS ABOUT 200 PERSONS IN RURAL LAWRENCE COUNTY.

FAIRLAND, OKLAHOMA (POPULATION 1,073): EMPIRE INVESTED "SEED" MONEY TO HELP FAIRLAND START AN INDUSTRIAL PARK. SEVERAL INDUSTRIES HAVE ALREADY MADE CONTACT WITH THE FAIRLAND ECONOMIC DEVELOPMENT AUTHORITY CONCERNING LOCATING IN THE FAIRLAND INDUSTRIAL PARK.

IN CLOSING, THE EMPIRE DISTRICT ELECTRIC COMPANY BELIEVES ANY IMPLEMENTATION OF THE RURAL ECONOMIC DEVELOPMENT ACT SHOULD INCLUDE INVESTOR-OWNED UTILITIES FOR THE FOLLOWING REASONS:

AS SHOWN THROUGH NUMEROUS EXAMPLES INVESTOR-OWNED UTILITIES HAVE BEEN AND ARE INVOLVED IN RURAL ECONOMIC DEVELOPMENT ACTIVITIES.

INVESTOR-OWNED UTILITIES HAVE ESTABLISHED RELATIONSHIPS WITH STATE DEVELOPMENT ORGANIZATIONS, FINANCIAL INSTITUTIONS, SITE CONSULTANTS, INDUSTRIAL REALTY GROUPS, AND THE OTHER SERVICES NECESSARY TO COMPLETE DEVELOPMENT ACTIVITIES.

INVESTOR-OWNED UTILITIES SERVE OVER HALF THE PEOPLE LIVING IN RURAL AMERICA. EMPIRE'S OWN TERRITORY IS OVERWHELMINGLY RURAL, WITH MORE THAN 82 PERCENT OF THE

COMMUNITIES SERVED CONSIDERED RURAL. IT WOULD BE A GREAT INJUSTICE TO THOSE RURAL COMMUNITIES EMPIRE SERVES, OR ANY OTHER RURAL COMMUNITY SERVED BY AN INVESTOR-OWNED ELECTRIC SUPPLIER, TO DISALLOW THEM THE BENEFITS OF THE RURAL DEVELOPMENT ACT OF 1989, SOLELY BECAUSE OF THEIR ELECTRIC POWER SERVICE PROVIDER.

ICAD GROUP

TESTIMONY BY THE IOWA CITY AREA DEVELOPMENT GROUP, INC.

To

THE HOUSE OF REPRESENTATIVES AGRICULTURE SUBCOMMITTEE

ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

August 11, 1989

Marshalltown, Iowa

The Board of Directors of the Iowa City Area Development Group, Inc., (ICAD) appreciates the opportunity to provide comments on rural development to the Subcommittee.

ICAD is a nonprofit economic development corporation serving the greater Iowa City area. In the Group are the cities of Coralville, Hills, Iowa City, Kalona, Lone Tree, North English, North Liberty, Oxford, Riverside, Solon, Swisher, Wellman, West Branch and West Liberty, Johnson County, and, of course, the University of Iowa. We are supported by both public and private funds -- from our member communities, the County, the University, and numerous private businesses and individuals.

IOWA CITY AREA DEVELOPMENT GROUP, INC.
325 E. Washington, Suite 100, P.O. Box 2567, Iowa City, IA 52244 319/354-3939

24-390 O—90——30

As we are a regional organization, we strive to develop greater economic activity not only for the immediate Iowa City area, but for the surrounding rural area as well. All involved recognize the value of operating as a regional entity, and believe that development in any of our communities helps us all.

The members of the Subcommittee are to be applauded for bringing the issue of rural development initiatives, through this and other hearings, to America'a Heartland. As you are no doubt aware, the State of Iowa and local communities across the state have been vigorously addressing the issue of economic development in our state for several years. Both Governor Terry Branstad and the Iowa Legislature have provided leadership and support for economic development efforts.

The Iowa Department of Economic Development has developed, and is now updating, a strategic plan. They have instituted economic development incentives and programs to attract industry. Satelite Centers have been established in the 15 Community College districts. And, many local governments and citizens are planning and implementing economic development activities.

We would like to address S. 1036, The Rural Partnership Act of 1989. The purpose of the ACT -- to improve the well-being of rural America -- is, of course, an excellent goal. The legislation itself sets out to implement that goal by establishing procedures and instruments. However, while those procedures and instruments may offer a viable design for most of

the country, they appear to offer, in Iowa, the development of another layer of organizations and persons working in economic development.

ICAD has real concern about the probability of dupulication which would result should this bill be enacted. Establishing a system whereby the REA is the instrument for implementing the programs would confuse and hamper programs and organizations already functioning well here. The State Satelite Centers provide assistance to local communities now, particularly assistance in identifying and applying for state and federal programs to help rural cities. Also involved in lending assistance are Councils of Governments, Regional Coordinating Councils, local economic development groups, and the State itself. Several programs are also operating to assist local communities with strategic planning and organization.

ICAD itself, as part of our service to our member communities, provides training and planning, as well as marketing, identification of potential businesses, and closure.

Beyond the problem of duplication, however, is the focus on one type of energy supplier as the deliverer of economic development guidance and services. The REA and its local rural cooperatives do not provide all electrical service to rural Iowa. A number of investor-owned companies are active participants in the economic development activity here.

To funnel the Act's programs through the REA presumes that all rural communities are serviced by rural cooperatives. However, of the 14 communities in the Iowa City Area Development

Group, all are served by a utility other than a cooperative. The majority are served by investor-owned utilities. Several, however, are served by both a rural cooperative and another utility.

We would suggest that, in states where administrative systems are already in place, alternatives to the REA acting as the administrative arm of the program could be found. In Iowa, the Iowa Department of Economic Development and its satelite centers could be the appropriate vehicles, for example.

The sections in Title II takes the REA into educational, health and communications arenas. The programs to expand to rural areas improved educational opportunities, medical care and communications through the use of advanced technologies are excellent ideas. We raise the question, again, as to whether the REA is the proper vehicle for implementation.

Title III calling for the use of Extension Service staff to provide economic development assistance is a good idea, one already operational here. There are several other sections of the Act -- grants to entities already involved in economic development, a national clearinghouse, expansion of data collection by the Census Bureau -- for which the authors of the legislation should be applauded. These should be beneficial to the country's rural areas as they work to ensure their economic health.

WRITTEN TESTIMONY BY

GLENN M. IVARSEN

MANAGER OF ECONOMIC DEVELOPMENT
MIDWEST ENERGY COMPANY

SUBMITTED TO THE

SUBCOMMITTEE ON CONSERVATION,
CREDIT AND RURAL DEVELOPMENT

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

FIELD HEARING IN MARSHALLTOWN, IOWA

AUGUST 11, 1989

Mr. Chairman and members of the Subcommittee on Conservation, Credit and Rural Development, Midwest Energy Company (MWE) appreciates the opportunity to submit this written statement of our views on rural development and the important legislation you may be considering on this subject.

Midwest Energy is a diversified holding company with major interests in electric and natural gas utility operations and additional investments in non-utility business ventures. Our headquarters are located in Sioux City, Iowa.

The company's utility operations provide natural gas to more than 340,000 customers in Iowa, Minnesota, South Dakota, and Nebraska and electricity to 155,000 customers in Iowa and South Dakota. Our utility operations are provided through IPS Electric and Midwest Gas, both divisions of Iowa Public Service Company. Our service area encompasses both large and small communities, including 8,582 rural customers and 192 communities with populations of less than 1,500.

Historically, our company has had a commitment to economic development and we have backed that commitment with action. We have two full-time professionals working on the company's economic development activities. Those activities include financial involvement with new and expanding industries as well as assistance to local development groups to improve their development potentials. These activities have been accomplished through a variety of programs:

1. ECONOMIC DEVELOPMENT FUNDS have been allocated for assisting new and expanding businesses within the service area of Midwest Energy's utility operation. These funds

were made available in cooperation with funding from state and local entities. During 1988 we were involved in more than 30 projects that are expected to create more than 2,000 jobs within a two-year period. To date this year we have been involved in ten projects that are expected to create an additional 650 jobs. Our economic development funding has been involved in a variety of projects, including the Carnation Company at Waverly, Snap-On Tools at Algona, Hawk Golf Bag at Clarion, Dry-Dock Tackle at Early, Cemen Tech at Indianola, Iowa Industrial Hydraulics at Pocahontas, D.A.D. Manufacturing at Rockwell City, Communications Data Services at Red Oak, Valley Machining at Rock Valley, Priesen of Iowa at Storm Lake, Dimensional Graphics at Charles City, Working Phones at Oskaloosa, and ECA Technologies Corp. at Winterset.

2. VENTURE CAPITAL sources have been provided for new and expanding businesses in the service area of Midwest Energy's utility operations.
3. OUR CAPITALIZED INVESTMENT IN THE CHICAGO, CENTRAL, AND PACIFIC RAILROAD COMPANY provides economic benefits for 40 communities served by Midwest Energy's utility operations. The railroad connects these communities to major markets in Omaha and Chicago.
4. OUR INVOLVEMENT WITH TELECONNECT COMPANY'S INSTALLATION OF A 235 MILE FIBER OPTICS ROUTE has helped bring this advanced form of telecommunications to northern Iowa.

5. OUR NATIONAL ECONOMIC DEVELOPMENT ADVERTISING in cooperation with participating communities encourages businesses to locate in Iowa. This cooperative effort enables communities the opportunity to stretch their advertising dollars in order to promote their communities on a national basis. Last year more than 100 responses were created through this program. This year an additional 100 responses have been received already.
6. INDUSTRIAL CONTACTS are made with existing businesses, as well as businesses with potential growth in Midwest Energy's service area. Company representatives have participated in "Sell Iowa" trips to other areas of the country.
7. SITE EVALUATIONS are made available to communities in cooperation with the Iowa Department of Economic Development and other participating utilities and/or railroad representatives. This helps community development groups determine which sites are best situated regarding accessibility to utilites, transportation, etc.
8. INDUSTRIAL SITE MAPS have been prepared for contacts with industrial prospects.
9. MANPOWER SUPPORT is provided to community economic development groups through participation in those groups by IPS Electric/Midwest Gas managers and company representatives.

10. FINANCIAL SUPPORT is provided to economic development groups for ongoing activities.
11. UTILITY COST AND ENERGY AVAILABILITY INFORMATION is provided to community contact teams to forward to industrial prospects based on their particular applications and specific situations.
12. FINANCIAL SPONSORSHIP is provided for the Iowa Community Betterment Program.
13. We are involved in the annual Iowa Utility Association ECONOMIC DEVELOPMENT WORKSHOP which has attracted economic development representatives from throughout the state of Iowa.
14. We are involved with the PROFESSIONAL DEVELOPERS OF IOWA to promote the State of Iowa and to make Iowa's business climate more competitive.

As a past president and member of the Board of Directors of the Professional Developers of Iowa, I feel strongly that a total team effort is necessary if rural development is to be successful. Team players often include representatives from the state, the community, the county, local development groups, banks, utilities, railroads, etc. Each entity plays an important part in making economic development work.

Investor-owned utilities' substantial rural presence, their existing development efforts and their close proximity to rural Iowa is a reality. Because REA borrowers are not the only conduit

for rural development, we support a modern national rural development policy unrelated to the provider of electricity. We feel such a policy would provide fair and equitable benefits to all customers and all taxpayers in rural areas.

We feel successful rural economic development needs to involve a partnership consisting of rural customers, states, counties, towns, and other private and public institutions committed to achieving long-term improvements in their communities.

When establishing a rural economic development program, it is prudent to utilize existing public programs or agencies, such as the Iowa Department of Economic Development, that have the expertise and mechanics already in place for coordinating and funding economic development projects. In other words, we recommend and encourage an inclusive rather than exclusive strategy.

In conclusion, we at Midwest Energy are proud of our long-term partnership with all customers, including those customers living, working, and doing business in rural areas. We welcome and support creative, flexible, and inclusive strategies that will permit our segment of the utility industry to continue to be aggressive and willing partners in all aspects of rural development.

Mr. Chairman, we appreciate the opportunity to submit this written statement and look forward to a fair and equitable resolution to this important issue.

G.I.
08-08-89

PRESENTATION TO
THE U.S. HOUSE OF REPRESENTATIVES AGRICULTURE SUBCOMMITTEE
ON
CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

BY

DEO A. KOENIGS

IOWA STATE REPRESENTATIVE

AUGUST 11, 1989

DEO A. KOENIGS
STATE REPRESENTATIVE
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House of Representatives
STATE OF IOWA
Seventy-Third General Assembly
STATE HOUSE
Des Moines, Iowa 50319

COMMITTEES
Agriculture
Natural Resources
Transportation

APPROPRIATIONS
Subcommittee
Transportation and Safety,
Chair

Congressman English, and Members of the Subcommittee on Conservation, Credit and Rural Development:

I congratulate Congress for identifying rural economic development as the priority for the 1990's. It is no secret that rural areas of this nation have not shared in the economic revival that has occurred elsewhere.

When visiting with community leaders, without exception, they list improving highways and rural roads as the key to revitalizing the rural economy. Historically, Iowa has and continues to impose on itself one of the highest gasoline and diesel fuel taxes in the nation. Counties too, levy at or near the 100% level. In spite of this, our quadrenniel needs studies indicate that our back-log of needs continues to grow.

Major Iowa news media, and a number of Iowa's leaders, have suggested that the problem with our transportation system is that we have too many roads and bridges. They believe that in view of the shrinking population of rural areas, that up to ten percent of our road network could be eliminated. A recent consultants report,

completed in January 1989, has effectively discredited that argument. It concludes that shifts in population will have little impact on reducing the road requirements in rural Iowa. Of the twelve midwestern states, Iowa ranks fifth in access to total land areas.

Last year, the Iowa Legislature, recognizing the need to prioritize the development of the commercial highway network, changed the distribution formula for the Road Use Tax Fund monies. The long term impact of this action will be to shift $25 million annually, away from the secondary road system, giving a small increase to the ciites, with the bulk of the increase going to the primary system. Despite this action it will still take several decades to fully develop the commercial network. During this same time, the secondary road system will deteriorate at a faster rate than it presently is experiencing. Counites will be unable to reconstruct approximately 20,000 deficient miles of roads due to lack of funds. More than 1000 of these miles have greater than 400 vehicle count per day, and would exhibit feasible rates of return in excess of 20%.

Some economic theory indicates the most productive use of government resources is the investment in roads and other transportation systems promoting production and distribution of goods and services. I fully concur with that opinion.

The following four objectives are for your consideration:

1. Oppose any proposal that would divert gas tax monies for any purpose other than building roads and bridges.
2. Free up more of the Road Use Tax Fund monies held in trust, as it is desperately needed now.
3. Establish a special bridge replacement fund for deficient or obsolete bridges. (Iowa has 11,000.)
4. Oppose any changes in the current federal formula for distribution to the states.

The efforts Iowa'a congressional delegation nas made in the past few years in getting extra dollars via the discretionary fund and demonstration projects, has been dully noted and appreciated. The extra money has been helpful in completing necessary projects and beneficial to rural development.

My presentation to this committee would be incomplete without mentioning my concern regarding the Farmers Home Administration, and the important role it plays in rural economic development. In the past FmHA has provided direct low interest loans to farmers for production of agricultural products and purchases of farm land. This has enabled young farmers with little resources to purchase farm land and become successful in their farm enterprises.

Today this plan is not available and the only role the FmHA plays is to provide guarantees for existing loans and thus removes the availablity for low interest capital. Under the current economic

climate, with exceptional land values at 50% - 70% less than seven or eight years ago, it would seem an opportune time to once again provide low interest loans directly to farmers. This would give a new generation of farmers an opportunity in agriculture that may be denied them otherwise.

JEWELRY MFG.
TRADE SHOP

GEM CUTTER

WHOLESALE
RETAIL

McDowell Gem Studio
TAX NO. 1-44-01[illegible]5 TELEPHONE (515) [illegible]

133 MAIN STREET STATE CENTER, IOWA 50247

2167

Gentlemen:

The issue here is how to develop and expand the Iowan economy. I am here to tell you the job is not an easy one. I, personally, have been looking for the answer. I have spent the last 3 years going through the various processes to help my business grow and expand, and you know I don't believe what has been happening. I would describe it like being a door to door salesman, thinking that the odds are certainly in my favor only to find the door slammed in my face repeatedly.

To date, I've yet to obtain knowledgable advice or funding. I am facing bankruptcy, foreclosure and loss of credit for my efforts.

Point of fact. The bankers say they will not fund my business and furthermore the have said to my face my business is unbankable and won't believe anything I say.

JEWELRY MFG.
TRADE SHOP
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TAX NO. 1-44-016279 TELEPHONE (515) 483-2662
133 MAIN STREET STATE CENTER, IOWA 50247

I do not make a large amount of money in Iowa. I have been pulling about 15,000 a year, much less that I could in another place. However this has been my business since 1978 and I have earned much more than this in other places. I have attempted to locate and purchase equipment that would generate a much larger income, only to be turned down.

I don't believe anymore that there is help in Iowa for the small businessman, only harassment and loss of income.

The banking community is described as conservative. If it is not corn, corn, or related business, forget it!

If you can show me some hope, otherwise, I sure would like to see it.

I understand there are over 200 different funding plans in Iowa, where are they? How do you get them implemented in small town Iowa?

JEWELRY MFG.
TRADE SHOP

GEM CUTTER

WHOLESALE
RETAIL

McDowell Gem Studio
TAX NO. 1-00-[illegible] TELEPHONE (515) 483-[illegible]

123 MAIN STREET STATE CENTER, IOWA 50247

I have sat on the economic development board for State Center, been the Rose festival Chairman, joined the local clubs and tried to generate a modicum of enthusiasm for different projects. Some have been successful, some have not. It appears to me only 2 or 3 people say what goes and what doesn't and I do not think that is a democratic solution.

Mr Nagle, do not get me wrong, I think what you are doing is very necessary if there are any changes to be made. If you do not succeed, we will all be the poorer for it. I support your efforts 100 %. In a difficult setting, you do make a difference. Carry on.

Best Regards,
Marshall
McDowell

National Association for Rural Mental Health
12300 Twinbrook Parkway, Suite #20
Rockville, Maryland 20852

02 August 1989

Congressman Dave Nagel
ATTN: Steve Brody
Waterloo Office
524 Washington Street
Waterloo, IA 50701

Dear Congressman Nagel:

On behalf of the National Association for Rural Mental Health, I want to thank you for the opportunity to submit written testimony on issues effecting rural economic development. Our Association stands ready to assist further with congressional efforts to strengthen and enhance Federal policy for rural America.

Federal policy has for too long emphasized the development of urban settings. Much of what has been written through legislation and the Federal Register reflects a general bias that what is good for urban centers is, by its nature, good for rural America. We would like to raise our voices along with others in this congressional process to question this basic assumption and to underscore the need for a major new initiative for rural America. We do not ask that it come at the expense of urban settings. Rather, we ask that the unique interests of rural America adequately considered in our nation's planning and policy formulation.

Iowa serves as an example of what has taken place in rural settings throughout most of America. Iowa, with a population of approximately 3,000,000 people, has experienced profound effects to its infrastructure over the decade of the 80s.

Community mental health services stand as a basic resource to many in our community and a vital secondary referring source to other systems of community care. They serve as a core element to the service delivery system. High clinical demand has continued to outpace the local community's ability to provide services. Little or no Federal funds exist to assist with the effort. A heavy reliance on state, county and fee for service arrangements have become necessary. During the decade of the 80s, there has been an out migration of bright, talented people seeking new opportunities in other places. Community mental health centers have had a difficult time securing and retaining adequate clinical staff at the very time high clinical service demand continues to increase.

The ability to recruit and retain trained professionals has become a major priority for most of the state of Iowa and most of rural America. More than half of all psychiatrists, for example, live in ten metropolitan cities in the United States. A major disproportionate allocation of resources has

developed. Access to trained mental health professionals in psychiatry, psychology, social work, psychiatric nursing and related fields is becoming harder and harder to achieve for many experiencing significant mental health problems in rural America.

Yet, the demand continues to grow. A recent Iowa State University study following 500 farm families found a significantly higher percentage of depression among the farm population than general citizenry at large. The National Institute of Mental Health recently revised upwards their scales on the prevalence of mental health conditions throughout the country to approximately 19 percent of the total population. For farm families, significant mental health issues have now approached 22 percent of the population.

What has been experienced in Iowa is not unique. It is reflected over and over again throughout America. Yet, we face at the same time cutbacks in the national health service delivery system for training and recruiting mental health professionals, a cutting back of vital funding resources for rural areas, and the lack of opportunity for coordinated and more comprehensive national planning for rural needs. Developing and sustaining responsive community based mental health resources serves as a key element to rural America's infrastructure for health and human service delivery. Economic development and healthy personal development of individuals and families are seen as going hand in hand.

It is our hope that significant new steps may be taken in the coming years to help enhance an eroding service delivery base in rural America.

Certainly, one positive step would be the further elevation of the Office of Rural Health Policy with a broadened mission to review and formulate policy on behalf of rural America, linking with other departmental entities such as USDA, HUD, and the National Institute of Mental Health.

With respect to mental health services, the development of an office of rural mental health within ADMA would also be a timely and an important action to take, following the recommendations made by the National Commission on Mental Health of Rural America.

Present methods of planning and funding focus on urban settings and their special population needs, and do little to effectively serve rural Americans. The re-examination of block grants, new funding initiatives more specifically targeted to rural America deserves careful and thoughtful consideration. A new initiative for rural America must focus on partnership at the local level, emphasize integration and across agency service delivery for the diverse needs of rural Americans.

As the congressional committee considers the many and multiple needs of rural America, it is our hope that community based mental health needs are not overlooked in the process. What we experience in mental health is a quiet crisis that spreads across rural America. Our ability to assist in a timely and responsive way grows dangerously thin. Community mental health has been able to demonstrate over and over again the ability to respond effectively, restoring personal functioning of individuals in their family and in their work place. Our ability to sustain what has been developed over the past thirty years in community mental health will increasingly fall to the hands of Congress and national policy setters. We sincerely hope that your committee will look carefully at such needs and consider them in the formulation of rural economic development. Further, our Association stands ready to assist your committee towards the important goal of economic development of rural America. Our members in the community mental health centers throughout the United States offer a vital set of community based resources to work hand in hand with others towards this important goal.

Sincerely,

Dennis Murray

Dennis Murray

Northwood State Bank Northwood, Iowa 50459 Telephone (515) 324-1023

July 8, 1989

Congressman Dave Nagle
Congress of the United States
824 Washington Street
Waterloo, Iowa 50701

Dear Congressman Nagle and Committee members,

Thank you for the opportunity to comment on the challenges and problems facing rural communities and their trade areas across the agricultural sector of this country.

I can only speak for our community and basically the smaller communities of North Iowa and Southern Minnesota. What I see in these communities of less than 5,000 residents is a migration to the larger communities to seek either employment or housing. In Northwood, we are fortunate to have approximately 500 manufacturing jobs which are employing some of our displaced farmers and the young work force. Our local development corporation has worked hard over the past 20 years to create jobs.

Put in a nutshell, our problem exists when these employees try to find housing to reside in Northwood. Price of rent is not the problem. The problem is their is not enough housing to go around.

Eighteen months ago our community formed an alliance to promote the construction of multiple dwelling housing for families as well as the elderly. Our thought was that we could relocate the elderly from their homes which they own into multiple dwelling housing. By doing this we would free up homes of the elderly to be either sold or rented to the younger work force. Our survey indicated that the community could support 24 elderly units. In addition a survey indicated that another 24 units for younger families could be supported. With this information in hand we found a investor willing to apply for a rental subsidized government loan. The following events took place as our project unveiled.

1. FMHA reduced our units from 24 to 12 on the elderly unit and from 24 to 18 on the younger housing.

2. FMHA has indicated to us that our loan would be most likely approved, but there is no rental subsidy left in Iowa.

3. Because of the above, private investors who purchased 10.5 acres to develop into new housing has been stalled because of the impracticality of developing just the 10.5 acres. This development was to be used to build affordable housing for families and would have 25 new homes on it when completed. Once the FMHA has the funding both properties can be developed jointly. These homes would be built to FHA standards.

Our local and state FHA authorities can only say were sorry and that we must wait for funding. I personally believe the project was sized down initially because of funding problems. I cannot understand why a community like Northwood can't get the proper funding and rental subsidy to support the surveys which certainly indicate the need is here. As you are aware construction cannot take place in Northern Iowa any latter than October if even then. It would now appear that our earliest date will be the Spring of 1990 which means occupancy no earlier than January of 1991. This is almost three years from when the original application was submitted.

I don't believe that I can stress strong enough the problems which we have had in trying to provide housing for these displaced farm workers and younger employees.

I appreciate what your committee is trying to study and I hope that you have success in all areas of rural problems. This is just one instance and I am sure there are many other problems.

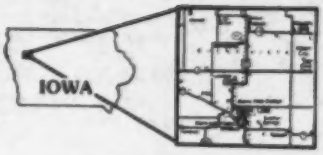
Thank you for your consideration.

Very truly yours,

Kary L. Paulson

BUENA VISTA INDUSTRIAL CORP.

P.O. Box 224 Storm Lake, Iowa 50588
712-732-4563



Statement of John K. Rodeen, President of Buena Vista Industrial Corporation, for the field hearing of the Congressional Agriculture Committee August 11, 1989 in Marshalltown, Iowa.

On behalf of the Buena Vista Industrial Corporation Board of Directors, members and participating communities, I appreciate this opportunity to present written testimony on the subject of rural development and the funding of rural economic development programs.

Economic Development is defined in many different ways by many groups and organizations. State governments may define it as anything that generates a dollar and adds a job. Communities may define it as the means to pump life back into their town, which has lost population, as well as some retail stores. These communities usually are found in what is termed, rural America, in our case, rural Iowa.

The enhancement of rural economic development is not the problem of just those communities with a population of 1,000 or less, located in the country, away from major cities. Rural economic development includes those of us with communities of 10,000 or 20,000 population as well. We are a part of rural Iowa, in most respects.

Buena Vista Industrial Corporation was formed in 1985 to assist all of the communities in Buena Vista County. Rather than maintain the 20 year old Storm Lake Industrial Corporation as the

sole development agency in the county, community leaders accepted the responsibility to assist the communities in the county with populations of 300-2000 people, and with dwindling business centers.

I was hired in 1985 as President of the Buena Vista Industrial Corporation in the capacity of a full-time professional industrial developer. With funds from the County, City of Storm Lake, and businesses, we have operated a very successful marketing program, featuring the assets of each of the communities in our county. I am also on the Board of Directors of the Professional Developers of Iowa.

Community leaders are becoming very realistic as to their role in economic development, and what their chances are of securing the location of a major industry for their community. Therefore, they are looking for the larger county seat community to carry the ball and develop a program that will foster future growth of the entire area. Thus, the concept of regional development has been developed and implemented.

Regional development has taken on many sizes and descriptions. From a multi-community coalition, to a county-wide organization, to a multi-county corporation, all of the communities have a single purpose in mind - survival. The complexity of regional development in the rural areas has also brought questions as to leadership, coordination, control and funding. Who is going to pay for the expenses of marketing the area, and who should control the disbursement of their funds?

Naturally, with the elimination of Federal Revenue Sharing, all communities have difficulty in maintaining their budgets for local infrastructure needs of their citizens, so the eye is cast on Washington, D.C. - federal money. In addition, they also need financial assistance from the State, the utility companies serving their town, and any other source available to them.

In essence, what the Agriculture Committee is urged to consider in this hearing is, the appropriate manner and method of providing federal assistance to communities in rural America that will be used in a professional way. Inasmuch as rural communities vary in size, and rural areas are served by different utility companies, the funding for such communities should eminate from a more general source, such as the State agency for economic development.

I believe there is similar legislation regarding funds for rural communities being discussed in the U.S. Senate. The Senate version, as I understand it, proposes to disseminate funds through the REC - REA companies. I oppose this approach for reasons mentioned earlier. The REC's of Iowa serve mostly rural, unincorporated areas - very few communities, as compared to communities served by private investor utility companies. Storm Lake, Iowa is one of these communities.

There are many agencies, utilities, and organizations involved in economic development. The list grows longer each year, thus creating more competition and making the developers seek more assistance from more sources. I would ask this Committee to consider carefully the issue of funding for rural

economic development, and consider the magnitude of players in the field today, and who they are serving. Therefore, I ask that you consider trusting any federal funds, on the basis of equality for all communties, to a statewide agency, who perhaps could make funds available to each of the 99 counties in Iowa, who in turn could make the best judgment as to the most need for these funds. Certainly in my mind, one electric utility is not the most equitable depository for all of rural America.

Thank you for this opportunity, Congressman Nagle and Committee members, to present my views on rural economic development in Iowa.

Prairiefire

550 Eleventh Street, Des Moines, Iowa 50309, Telephone: 515/244-5671

August 3, 1989

Congressman Dave Nagle
524 Washington St.
Waterloo, IA 50701

Dear Congressman Nagle:

Thank you for the opportunity to submit written testimony on Rural Development, a subject that is of vital importance to those of us concerned about the future of rural America.

I would like to submit a copy of our report: No Place To Be: Farm and Rural Poverty in America. This report, published in December of 1988, documents the alarming increase in poverty rates in rural areas. It describes how public policies of the 1980's have further devastated the rural poor.

The report also outlines 21 specific public policy recommendations that encompass the full spectrum of rural concerns including housing, health care, transportation and community development. Those coupled with a just and viable system of agriculture will comprise true rural development.

Once again I would like to thank you for the opportunity to submit testimony and commend you for leadership in this area.

Sincerely,

MarJean Sutter

MarJean Sutter
Chair, Prairiefire Rural Action

(Attachment follows:)

No Place To Be

Farm and Rural Poverty in America

A Report by
Prairiefire Rural Action
550 11th St.
Des Moines, IA 50309

December, 1988

Prairiefire Rural Action, Inc

Prairiefire Rural Action, Inc. is an independent, non-profit, education, organizing, training, research and advocacy organization based in Des Moines, Iowa.

Working with farm and rural organizations and coalitions, churches and religious agencies, and labor and community groups throughout the nation, the organization's projects serve some 15,000 people annually. Its education, organizing, public policy and support work with rural people and organizations has been widely reported by media around the world.

Prairiefire is governed by a national board of directors and operates with a full- and part-time staff of nine.

Prairiefire is fundamentally committed to: the empowerment of farm and rural people and organizations across the nation; economic and social justice in the American countryside; keeping small and medium-size family farms in operation and farm families on the land; revitalizing family farm agriculture in the U.S.; building strong coalitions in support of family farm agriculture and rural community revitalization; assuring the widespread distribution of ownership and control of land; encouraging and enhancing leadership development efforts with rural women; and building constructive responses to racism and anti-semitism in rural America.

Acknowledgements

This report was made possible by the generous support of Mazon, Hands Across America, the General Board of Global Ministries of the United Methodist Church, and the United Church Board for Homeland Ministries (United Church of Christ).

The assistance of David Swenson of the University of Iowa Institute of Public Affairs is deeply appreciated. We also wish to express our thanks to the Center on Budget and Policy Priorities in Washington, D.C. We appreciate the help we received from the staff of the United States Department of Agriculture, Economic Research Service and the Iowa Agricultural Statistics division of the Iowa Department of Agriculture and Land Stewardship.

Primary research and writing for this report was done by the Rev. Kevin Ogle. Prairiefire Research Director, Daniel Levitas; Executive Director, the Rev. David L. Ostendorf; and Barbara Grabner, Assistant Director, also contributed to the report.

Cover photo by Andy Lyons; graphics and layout by Barb Grabner

For Additional Copies of This Report
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515/244-5671

EXECUTIVE SUMMARY

No Place to Be, Farm and Rural Poverty in America describes how the public policies of the 1980s have further devastated the rural poor. The 36 page report documents how an entire class of "new poor" - once modestly prosperous and exceptionally productive rural residents - are finding themselves without food, without work, and without homes. Among the report's findings:

- From 1979 to 1986 median family income dropped 10 percent in rural areas, compared to a one percent decline in urban areas. By 1986, urban median family income was $31,639 while rural income had fallen to $23,229.

- The number of young, rural adults (those aged 18 to 44) in poverty who were either working or looking for work increased by 33 percent (from 1.5 to 2 million) from 1979 to 1986.

- According to a recent Drake University study, almost 15,000 Iowans are homeless and another 37,000 were near-homeless.

- As Iowa's population has aged and grown poorer, the number of congregate meal sites has increased from 264 in 1981 to 395 by 1987; the total number of meals served has almost doubled to 4.3 million; and the number of private and public food pantries has increased dramatically.

Farm families have been especially hard-hit by the rural crisis:

- According to recent USDA Economic Research Service data, almost one-third of all farm households fell below the poverty level in 1986.

- An estimated 26,000 Iowa farms have gone out of business from 1981 through 1987. Nationally the figure is approximately 594,000.

Continued population decline, combined with dwindling state and federal support for infrastructure maintenance and crucial services has become a crushing burden to countless small cities and towns across the nation:

- The farm population in the United States declined by approximately 1.1 million - or 18 percent - from 1980 to 1987.

- Nearly one-third of those individuals leaving rural America between 1986 and 1987 were between 18 and 24 years of age.

- Federal outlays for community and regional development were slashed from $13 billion in 1980 to $4 billion by fiscal year 1987.

Rural hospitals, mental health agencies and other providers of community services have

faced severe financial constraints in the past decade:

- In 1988, rural hospitals in Iowa were paid about 33.5 percent less in Medicare reimbursements than their urban counterparts.

- Iowa ranked last among the 50 states in per capita funding for mental health agencies in 1985, despite dramatic increases in confirmed cases of child abuse (a 43.6 percent increase between 1982 and 1986); increased incidents of spouse abuse (from 1,620 in 1985 to more than 4,500 in 1987); and the highest statewide suicide rate in more than 30 years.

The grim scenario of continued population decline, poverty and deterioration of services in rural America is not inevitable. *No Place to Be* outlines 21 specific public policy recommendations in five separate areas. The report calls for:

- A redirection of federal and state entitlement programs to ensure that low-income Americans achieve a standard of living that "transcends the poverty level and allows them to live with dignity."

- Comprehensive strategies to enhance the financial viability of rural hospitals, provide health care to the uninsured, and meet the unique health care needs of rural residents.

- Increased federal funding for economic development - including infrastructure maintenance - and new initiatives to provide greater local control over development.

- The establishment of a new "Homestead Act" to resettle farm families, provide new opportunities for minority farmers and revitalize rural communities.

- Comprehensive farm policy reform to provide for long-term supply management, higher prices, more effective conservation, and international trade agreements.

"Poverty is unnecessary in a land as rich in natural resources as ours. A vigorous search for means of eliminating it is one of the major tasks before us... There is no simple solution to the problem of rural poverty. Many different kinds of action are needed in the field of rural welfare... The elimination of rural poverty should be of very definite benefit to all of society."

The Yearbook of Agriculture, U.S. Department of Agriculture, 1940

"It is a shocking fact that in the United States today, in what is the richest nation in history, close to 14 million rural Americans are poor, and a high proportion of them are destitute. By their poverty they are deprived of freedom to share in our economic abundance."

The People Left Behind, President's National Advisory Commission on Rural Poverty, 1967

Preface

The 1980s have brought dramatic increases in poverty and hunger to rural America. Despite rising recognition of the need for action, many proposed remedies still fail to address the fundamental causes of the continuing economic crisis in rural America.

This report is a product of Prairiefire's work with farm and rural people across Iowa and the United States.

The grim scenario of continued population decline, poverty and deterioration of services in rural America is not inevitable. Through this report and follow-up action into the 1990s, Prairiefire reaffirms its commitment to organizing and institutional change efforts - led by rural people themselves - that will end the dislocation and despair wrought by the public policies of the past decade.

24-880 O—90——81

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Introduction

Throughout the twentieth century, the backroads of rural America have been strewn with the victims of economic and social policies that have made rural people second-class citizens in a "first world" nation.

The transition from an agrarian to an industrialized society was driven by an expansionist economy that simultaneously drew and displaced people from the land. This transition was rooted in a market ideology that put economic "progress" before people. It produced conditions of chronic poverty and economic instability that the Congress and administrations of both parties have refused to confront for decades.

The assault of the Reagan-era on both the farm economy and social programs further devastated the rural poor and created an entire class of "new poor" across the American countryside.

This process has been devastating to much of rural America, and especially to racial and ethnic minorities. Moreover, the way has been paved for even greater economic stratification through an emerging two-tier structure of agriculture and land control in which fewer control more and more control less, mirroring this same trend in American society.

The farm crisis has been among the most well-documented domestic issues in this decade. Low commodity prices, high interest rates and drastic declines in land values have all taken a deadly toll. Thousands of rural families, workers in agriculture-related manufacturing, and small town businesses have been adversely affected. The crisis hit medium-size family farm operators especially hard. It brought to the countryside the harsh realities of Reaganomics and the policies of a Congress complicit in its implementation.

This crisis combined with the entrenched, structural conditions of rural poverty, moving countless rural people and communities to society's margins. As political power has become concentrated in metropolitan areas and as a bi-coastal economy has emerged it has become increasingly difficult for rural people to determine their own future.

For the slightly more than one-quarter of Americans who live in the countryside today, the concerns for the remainder of the century will necessarily focus on those institutional economic, political and social forces that would further control their lives and communities. The strength of those forces compels rural people to search for new strategies and tactics in order to find more effective ways to maximize their political power.

- Rev. David L. Ostendorf

(The complete report is held in the committee files.)

SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT
UNITED STATES HOUSE OF REPRESENTATIVES

HEARINGS ON
RURAL DEVELOPMENT

STATEMENT BY LYNN K. VORBRICH
EXECUTIVE VICE PRESIDENT, IOWA POWER

August 11, 1989
Marshalltown, Iowa

Mr. Chairman, Mr. Nagle, Mr. Grandy, and members of the Subcommittee, Iowa Power appreciates the opportunity to submit this statement of our views on rural development and to have Mr. Peter Dietrich, Vice President of Corporate Development at Iowa Electric, represent the investor-owned utilities of Iowa before the Subcommittee today.

Iowa Power is the largest electric utility in state, providing generation and service for nearly 246,000 customers in 126 communities located in central and southwest Iowa. Of these 126 communities, 113 have a population of less than 20,000. This number excludes communities under 20,000 that are part of the Des Moines metro area such as Ankeny and Altoona. As you can see, almost 90 percent of the communities we serve qualify as rural communities.

Iowa Power commends the Subcommittee for having these field hearings and for providing the opportunity to discuss this important issue with you. Iowa Power and the other investor-owned utilities have a long track record of providing economic development services to those communities in our service territories, and we fully share your concern and commitment to rural development.

Our numbers clearly illustrate the fact that Iowa Power and the other investor-owned utilities serve the vast majority of rural Iowans, in addition to providing generation to many others. Any program that this Subcommittee considers should be available to the entire rural population of Iowa and not benefit any one segment at the expense of all taxpayers.

Throughout our service territory communities are competing for the opportunity to foster economic stability and growth. As we continue to provide assistance to our communities, we believe that any aid provided by the federal government should be available to all communities throughout Iowa. Without such a comprehensive philosophy, and equal access to programs, those communities in our service territory will be placed at a great disadvantage.

Iowa Power supports the coordination of already existing resources as you consider a rural development policy. We believe that funds should work through the Iowa Department of Economic Development to leverage state and private funds with federal dollars to gain maximum benefit for all. The Iowa Department of Economic Development is best able to consolidate services and to utilize an existing framework, such as the Financial Assistance Division, which has the staff, experience and authority to successfully coordinate services. Successful rural development efforts need to be inclusive. Leveraging public funds with private funds is a cost-effective means of achieving this goal.

Iowa Power has invested over $1 million during the past three years to help communities promote economic development. A large portion of this money is used in the 113 communities we referred to earlier. In addition to that direct investment, Iowa Power has invested an annual budget in an economic development department designed to assist these communities to compete in the marketplace and develop prospects to consider these communities for a point of expansion.

Approximately three years ago, Iowa Power committed funds that were leveraged with community dollars and state lottery funds to assist in job creation. These grants ranged from a few hundred dollars to thousands of dollars. One such grant went to the community of Logan. Logan offered to build a facility for a firm, Swilley's Equipment, in an effort to encourage their location in the community. The company expects to add 22 new jobs within a two-year period. Iowa Power committed funds to the Logan Industrial Development Corporation to be used with the funds they had raised in the community as a down payment to finance the facility.

Another grant was used to assist Red Oak Greenhouse. The grant from Iowa Power, used with money raised within the community, allowed the company to obtain CDGB funds for a project adding 30 employees to their operation.

The economic development staff at Iowa Power continues to assist communities in establishing a program that best fits the needs of the community and industry. Our experience indicates that the State functions well as an umbrella in coordinating and developing financial programs needed within our communities.

Iowa Power supports this committee and their examination of problems in telecommunications, roads, rural schools and hospitals, and the need for financing infrastructure improvements, including speculative buildings. It is critical that rural Iowa have equal access to these essential services.

Iowa Power compliments Congress for addressing the decline in economic viability of the rural community. We encourage the Subcommittee to create a program that will not limit the number of rural communities that can participate. We welcome and support inclusive strategies to address this issue. We recongize that the problem is diverse and the solutions will vary in each part of the country.

Iowa Power appreciates the opportunity to submit this statement. We look forward to working with the Subcommittee and other members of Congress on this important issue.

To:

August 11, 1989

Congressman Glenn English
Congressman Dan Nagle

RE: Midwest Hearing on Rural Economic Development Initiative
Marshalltown Community College

Written Testimony

1. Rural hospitals are unfairly treated in comparison with our urban counterparts. I became a member of the Board of Directors of Grinnell General Hospital & Grinnell, Iowa on January 1, 1989. Since that time I have become acutely aware of the indefensible disparity between the costs of providing health care to our patients and the allowances we receive from Medicare. Of even more concern is the differentiation the Medicare system makes between our hospital and the hospitals in Des Moines, Cedar Rapids, etc. Our costs are as great as theirs for similar equipment and services and supplies. Sometimes our costs are even greater because of our rural location. For example, we are often required to provide guaranteed income levels in order to attract physicians to our communities. Same is true of nurses. It is unreasonable to expect local residents to travel 100 miles to obtain quality health care except perhaps for unique and relatively rare health care needs.

2. County/township/farm mutual insurance companies have been the primary provider of farm property insurance since the late 1800's. They vary in size from 500 policyholders and perhaps $200,000 annual premium income to as large as 7500 policyholders and $3 million annual premium income. Their staffing is obviously not such as to provide expertise in all areas of business management. Because of the nature of their operations, it is essential that they receive special consideration when it comes to writing tax law and when considering new federal regulations of the insurance industry.

2. (continued)

Recent revisions to the Federal Income Tax law relative to the Alternative Minimum Tax are discouraging insurance companies from investments in state and local bonds because they will no longer offer a tax advantage to the insurance company. Since insurance companies are major institutional investors, their departure from the buyer's market for these bonds will make it much more costly for state & local bond issuers when they find it necessary to pay significantly higher interest rates.

3. When the 1990 Farm Program is being developed, attention should be given to the need for the federal government to compete with private insurers in insuring sealed grain (loan forgiveness programs). The MPCI (multi-peril crop insurance) program vs disaster payments also needs attention. There should be one or the other, not both. The ASC offices should not function as providers of insurance. The availability of insurance through these offices is unfair competition to the private marketplace. Clearly, the person from whom one obtains his farm loan, his acreage allotments, etc. should not be allowed to provide the farmer's insurance as well. The conflict of interest is clear.

While the 1990 Farm Program is probably thought of as one issue separate from rural development, it should not be separated. The well-being of agriculture is integral to rural development.

Submitted by

Robin R. Grant, President
The Grinnell Mutual Group
I-80 @ Highway 146
Grinnell, Iowa 50112

RURAL ECONOMIC DEVELOPMENT

TUESDAY, AUGUST 22, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION,
CREDIT, AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
Blackfoot, ID.

The subcommittee met, pursuant to notice, at 9:20 a.m., in the community room, Court House Annex, 132 S. Shilling, Blackfoot, ID, Hon. Glenn English (chairman of the subcommittee) presiding.

Present: Representative Stallings.

Staff present: Joseph Muldoon, assistance counsel, and James E. McDonald.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. ENGLISH. The hearing will come to order. This is the fourth of the field hearings that we are having around the country and let me say that it is indeed a pleasure to have an opportunity to be here in Idaho and to hold this hearing. As I am sure most of you know, Congressman Stallings is a very valued member of our subcommittee and I appreciate the fact he offered to host this hearing and have us come to Idaho for the northwest region of the country.

These hearings are focusing on the question of the role about—let me say that this is a very important issue not only for people who live in small rural communities, but also the commodity groups—that it has a direct bearing on the number of Representatives that we will have in Washington to represent agricultural's interest as well as the interest of rural America in general. And also as far as urban areas are concerned. Because without question as people are forced either off the farm or forced out of the rural communities they go to major metropolitan areas. And usually they don't have a job. And that means that they become a burden on that particular infrastructure. It makes it more difficult for the cities to operate.

And certainly we are all familiar with the major problems in many of these communities. So anything that can be done in rural America to reverse the flow—and in the 1980's we saw an average of roughly 400,000 to 500,000 people a year that moved from rural communities and farms into urban areas. It hit its peak in 1986 in which we had 1 million people who moved from rural areas into urban areas. W have to reverse this. We do not want to require the American people to live in urban areas because it is simply to difficult to live in rural areas.

It also means that we have to take a different look at the programs that have been in existence. It is my understanding that we have over 100 programs in the Federal Government today that in one way or another supposedly deal with the problems of rural America. But if you talk to rural development experts, I think you would find it difficult to find any rural development expert who can come up with more than 10 or 12 of those programs.

So there is a question of whether these programs are working as well as they should. Whether the assets and resources are being targeted as well as they should. And whether they are being as effective as they should. Many of these programs have been around for 50 years. They were designed for different times. They were designed for different kinds of problems than we face in rural America. So I think we are not only looking at how we can best target these efforts, but we also have to review the rural development programs that are in existence today and determine how we can best utilize those resources and how we can be the most effective.

But let me also say that the bottom line—what it all comes down to—is that it is going to be up to the rural communities themselves to determine the success or failure of any rural development effort that those of us in Congress are able to put together. That means that it is going to be up to the local leadership, the local community, for their own success or failure. We cannot—I want to stress this—we cannot put together a rural development bill that is going to do something for everybody. We are not going to be able to come to any community and say well we are going to deliver a new industry on your doorstep, or we are going to take care of all your problems and for everyone to simply sit back and wait for the Federal Government to do something for them. That is not going to work. And certainly with the program that we are able to put together with the very limited resources that are available in the Federal Government these days, it is simply not going to happen.

So really what this program is going to be aimed at are those people who want to help themselves. It is going to be offering a helping hand. It is going to be offering assistance. And it is going to be geared toward those communities that are willing to get out and fight and determine their own fate and their own future and really make certain that they do succeed.

So the point is, I think, to set the tone for what everyone has to recognize. And I cannot stress enough that it is the individual leadership and the individual community itself that will determine the eligibility for this kind of assistance in this kind of program.

Well, what we are undertaking is probably going to be controversial in some aspects. I think that any time you make major changes, and we are talking about making some major changes and making some adjustments, talking about redirecting resources, there is going to be controversy involved. But quite frankly the one thing that we do know is that the rural development efforts that we have had in the past simply aren't working today. So those programs have to be redirected and we have to make certain that they are effective and that they do have a chance.

Also, let me say that at this point, without objection the record will be kept open for 10 days for the submission of any additional material that anyone may have. And also it is my great pleasure,

as I said, to be here in Idaho, and I want to turn the chairmanship of this subcommittee over to our good friend Richard Stallings who will chair this hearing. Richard, we appreciate the hospitality we have been shown, and certainly appreciate your willingness to have this hearing in your district. So I will turn the gavel over to you, Mr. Chairman.

OPENING STATEMENT OF HON. RICHARD H. STALLINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. STALLINGS [acting chairman]. Mr. Chairman, I would like to thank you for bringing the subcommittee to Blackfoot, Idaho. It is appropriate for this series of hearings to be held in rural America. Mr. Chairman, we are the heart of rural Idaho. I also want to thank the witnesses for their testimony. As debate continues on the 1990 farm bill and we face the tough decisions we must make, we must look to Washington—look beyond Washington to the communities it will impact. The hearing this morning is an important part of that effort.

The conventional wisdom these days is that the United States is enjoying one of the longest sustained periods of economic growth in its history. Unfortunately, in many instances, this period of economic growth has not reached our rural areas.

In Idaho, only six counties have shown an increase in population since 1980. That means we have 38 counties which are losing people. They are going, as you suggested in your opening remarks, to the cities to other places where they can get jobs, and they are leaving behind the area where they would probably prefer to live. Economic stability of Idaho's rural areas is important both for the people living there and the people living in Idaho's cities. We have a growing awareness in our cities of the importance of the rural economy to the well-being of the entire State.

Many of us in the House of Representatives believe Congress must establish a rural development policy which will promote cooperation between the private sector and established Federal, State, and local development entities.

In this spirit, the House Agriculture Subcommittee on Conservation, Credit, and Rural Development has been holding hearings in Washington and in rural areas around the country. Those hearings are the first step in fashioning legislation to strengthen and protect rural America.

Because of the rural nature of Idaho, I believe Idahoans should have a voice in the formulation of this legislation. Toward this end, I invited Congressman Glenn English, chairman of the subcommittee, to hold a field hearing in Idaho. Now, Chairman English, it might be of interest to you that as we worked on the farm Federal legislation 3 or 4 years ago, Chairman Jones brought the subcommittee to Blackfoot and took testimony, and from that testimony came several important points that later found its way into the farm Federal legislation. We have a lot of expertise. We have some very capable people here, and I think you will be impressed with the quality of the testimony.

Now, there are many proposals under consideration in Congress, including programs which would provide technical assistance and

funding to provide the funding of rural schools; programs to establish telecommunication partnerships between schools in rural areas and other educational institutions; and programs to help with rural health care.

Idahoans are well aware of the need to address health care issues. Last summer two hospitals closed their doors to acute care services. Other hospitals are struggling for survival.

When a hospital closes, the impact on a rural community can be staggering. Residents face severe geographic and weather impediments trying to get to health care services in other communities. And when a community has difficulty retaining a physician and suitable health services, the community becomes a less desirable location for private economic development. It becomes a very vicious cycle.

Over the last few weeks I have had the opportunity to visit with representatives of U S West and GTE Communications and have come away enormously encouraged by the improving state of communications in our State. Just as poor communications could discourage new businesses from developing or relocating in our State, good communications could be a major factor in attracting it.

I have been very impressed with the doors these state-of-the-art communications systems will open for rural Idaho down the road, especially with the impact they could have on education. According to the Congressional Clearinghouse on the Future, "new technologies promise classwork tailored to individual interests and needs using two-way television, interactive videodiscs, electronic data bases, and the simultaneous use of multiple technologies."

Health care, telecommunications, and education—these are just three of the many topics we will be discussing during this hearing and in Congress as the move to revive our rural areas progresses.

I invite each of the witnesses to play a role in this effort. Rural development is vitally important to many Idahoans, and requests for oral testimony far outnumbered the available time. I must ask the witnesses to limit their testimony to 5 minutes. Your written testimony will be included and any other additional information you would like to add will be included in the hearing record as well. But Chairman English just suggested 10 additional days, so if you have material that you think would be important for us, please, by all means, get it to the committee and we will make sure that it is included in this hearing record and committee file.

Mr. Chairman, I want to thank you for the opportunity for us to hear from the people of Idaho and the western United States.

[The prepared statement of Mr. Stallings follows:]

CONGRESSMAN RICHARD STALLINGS

Opening Statement
Field Hearing
House Agriculture Subcommittee on Conservation, Credit,
and Rural Development

Tuesday, August 22, 1989
Blackfoot, Idaho

Mr. Chairman, I would like to thank you for bringing the Subcommittee to Blackfoot. It is appropriate for this series of hearings be held in rural America, and Mr. Chairman, we are in the heart of it. I also want to thank the witnesses for their testimony. As debate continues on the 1990 farm bill and we face the tough decisions we must make, we must look beyond Washington to the communities it will impact. The hearing this morning is an important part of this effort.

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In Idaho, only six counties have shown an increase in population since 1980. That means we have 38 counties which are losing people. Economic stability of Idaho's rural areas is important both for the people living there and the people living in Idaho's cities. We have a growing awareness in our cities of the importance of the rural economy to the well-being of the entire state.

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Again, Mr. Chairman, I want to thank you for the opportunity for us to hear from the people of Idaho and the western United States.

Mr. STALLINGS. Now, we have just received a letter from the Governor of the State of Nevada, and I would like to, without objection, have this included in the record. It reads:

DEAR CONGRESSMAN ENGLISH: I appreciate this opportunity to present testimony on rural development issues of importance to Nevada. I commend you for making the effort to travel to the west and learn from our concerns and our desires regarding a Federal rural development policy. At this time I will simply make a few broad points outlining Nevada's preference for the nature of Federal rural development assistance. And I ask your permission to submit further detailed testimony for the record.

The first point that must be made is an obvious one. Namely, that what is rural America varies by region of the country and well as from State to State. For Nevada, rural means a few people spread over a large territory. In Nevada, 15 of 17 counties are classified as rural. Only 17.6 percent or 193,000 persons of our 1.1 million population live in those 15 counties, yet they encompass 95,848 square miles.

A second point to be made is that rural communities face a wide variety of problems and challenges. And the crucial issues are different for each region, and possibly for each community. This divergence of need is due to differences in community's origins in their locations vis-a-vis the urban communities and in their workforce and skill base vis-a-vis the economy of the 1980's.

Consequently, the most important single characteristic of any Federal rural development policy is that it be varied in the type of assistance that is offered and flexible in the means of delivering that assistance. Federal assistance that has worked most successfully in rural Nevada is the Community Development Block Grant Program.

Therefore, I urge that any Federal rural development policy continue a block grant program that will allow us, at the State level, to target assistance to where it is most needed. Such a block grant could target assistance by considering not only income level, but also remoteness, amount of outmigration, and other structural issues which negatively impact the competitiveness of rural communities. In addition, it would contain a wide variety of eligible uses of the funds once again to allow the State and the eligible localities to put the assistance to the most productive use possible. We are not asking for a free reign with Federal funds. I believe it is the responsibility of the States and the local governments as well as the private sector to be partners in rural development.

I would suggest that the first criteria for use of the funds be that they follow a comprehensive State and local development strategy. We do not need funding for its own sake. We need carefully targeted assistance to address very specific problems.

Again, I appreciate this opportunity to convey our views and look forward to the work of your community.

Sincerely,

BOB MILLER,
Governor, State of Nevada.

Without objection, we will include that in the record, Mr. Chairman.

[The prepared statement of Governor Miller appears at the conclusion of the hearing.]

Mr. STALLINGS. At this point it is time to hear from our witnesses. Our first panel is that of elected States and local officials. Mr. Richard Rush, director of the Idaho Department of Agriculture, who has served in this position now since about 1981. If these gentlemen would come to the witness stand, I would appreciate it. Mr. Jim Hawkins, director of Idaho Department of Commerce; State senator, Jim Christiansen; State representative, John O. Sessions; and the Honorable Frances Jensen, Bingham County commissioner; and the Honorable Bill Whittom, mayor of the city of Rupert.

Mr. ENGLISH. Mr. Chairman, if I could, I want to again express to all of our witnesses here today, and quite frankly I will remind our witnesses as we move along today, to please hold your testimony to 5 minutes. We have an awful lot of witnesses to hear from, and we

do not want to get toward the end of the day and start having people cut short. We want to give everybody a chance to have a say, so if you could please be considerate of your fellow witnesses and particularly those that are coming later this morning and today, and be very sensitive toward that time period we would deeply appreciate it.

Mr. STALLINGS. Let me just introduce this group as a very outstanding segment of Idaho elected State and local officials, as well as some appointed. As I said, Mr. Rush, the director of the Idaho Department of Agriculture, Dick has served in that position since 1981, have you not?

Mr. RUSH. It seems longer, but actually since 1985.

Mr. STALLINGS. Jim Hawkins, who is the director of Idaho Department of Commerce, was appointed by Governor Andrus when he took office, and has done a tremendous job in developing and leading the direction that our department of commerce has taken. He has been very successful. We are pleased to have you here. State senator, Jim Christiansen represents this area. Jim has served two terms now in the State senate. He has done a tremendous job of representing this part of the State. The State representative, John Sessions, comes from the district over in the Teton Valley. If you have not had a chance to visit that area, that is certainly a place, if you have time, worth seeing. John chairs the transportation committee in the house of representatives and is a tremendous asset to the State legislature. Honorable Frances Jensen, in I believe his first term as Bingham County commissioner, and we are pleased to have him here. Of course, you met Mayor Whittom earlier this morning.

Mr. Rush, if you would care to proceed.

STATEMENT OF RICHARD R. RUSH, DIRECTOR, IDAHO DEPARTMENT OF AGRICULTURE

Mr. RUSH. Well, thank you Congressman Stallings and Congressman English. Welcome to Idaho. And on behalf of Governor Andrus and myself, it is a pleasure to have you here. I hope you have some time to look around and enjoy yourself as well. Some of my testimony includes thoughts from Governor Andrus, and I am told those are the parts I am not supposed to leave out so I will try and get this in within 5 minutes or close to it.

This is an important issue. Idaho is one of the most rural States in the country. Eighty percent of our population resides in nonmetropolitan or rural areas. Our population density is only 12 persons per square mile. That is fewer than one-fifth of the national average which is about 67 people per square mile.

Rural Idaho has been hard hit in the 1980's. Decisions that led to high interest rates and a high-valued dollar, we all know about those, but it forced downturns in our agricultural, forestry, mining, and construction industries. And recovery in this part of the country really did not reach us until about 2 years ago. Now production from our resource products has increased, but it has increased with about 2,300 fewer farms and one-third less forestry workers.

Meanwhile, Idaho has created somewhat of a "Two-Idaho" syndrome. The pockets of prosperity are: Boise, the regional trading

center; Coeur d'Alene, which is a northern Idaho tourist playground area, a very beautiful area; and Idaho Falls, close to this area bolstered by the activities of the Idaho National Engineering Laboratory. These three cities represent roughly one-third of our population. Yet, they accounted for more than two-thirds of the record level of new construction in the last 12 months or so. The three counties containing these cities obtained more than half of the 62,000 new jobs created for 1982 to 1988. At the same time, ten of our rural counties lost employment and 6 more recorded only small gains. And Congressman Stallings has talked about the loss of population in the majority of the counties in the State of Idaho.

As a State, Idaho recognized the threat of declining population in its rural communities very early, but severe budget constraints restricted our reaction to the oncoming problem. To ensure coordination among State agencies, Governor Andrus named a small rural policy group to find solutions. And Idaho has also worked very cooperatively, and I would say the Federal agencies worked very cooperatively, mainly the USDA agencies, trying to work toward rural development.

Governor Andrus was able to quadruple the size of the Idaho Department of Commerce in 1987, and Jim Hawkins, the director of that department is going to spend some time on the many activities that have gone on there. But the State did not ignore agriculture, our largest industry. We tried to identify opportunities to diversify our already diverse agriculture. Our department has been doing an educational program on the potential of farm and ranch recreation. We sought ways to add value to our ag products. There are new companies that have moved to the State, such as the Anheuser-Busch malting plant here in Idaho Falls. The Domsea's fish processing plant in Pocatello, and on and on. We have established a network of farmers' markets across the State. We have established a leadership Idaho agriculture program to try to teach those in agriculture what is happening and to be able to react. We have done surveys of institutional food buyers. Time does not permit me to detail all the State activities, and I am going to cut out a number of those, but that is in the written testimony. But, I would like to move very quickly into the Federal role. I have four general comments, and then I would like to close by focusing on specific ideas for legislation.

The first and most fundamental issue is for Congress and the administration to renew its historical commitment to rural America. I would like to quote Governor Andrus in a speech he made last year to a national rural development workshop. He said:

> Maintaining stable, productive, rural communities is a legitimate social and economic goal for the United States. I am convinced that most Americans do want employment opportunities to exist in small towns, and they do want the chance to pursue a rural lifestyle if they so choose.

We can still maintain a viable rural economy by making a conscious effort to overcome the barriers of distance and small size and to capitalize upon advantages like productivity and loyal labor forces, low pollution and crime levels, superb outdoor recreational opportunities and a generally superior quality of life. What I am saying is that rural development as an idea, as a goal, comes from the heart as much as from the head.

Well, the next point may not sound like it should come from a director from the department of agriculture, and Congressman Stallings knows well that I testify on farm programs a lot. He has heard me more than he wants to, I am sure. The current Federal farm programs are not the solution to rural problems. While they improved farm income, they have not stopped the boarding up of smalltown windows. Agriculture is by far the largest industry in Idaho, and it will be that way for a long time to come. But rural issues are much broader than agriculture. Idaho has forestry, mining, and tourism—dependant small towns as well. There are rural problems relating to health, transportation, and education.

This point has two implications. One is that USDA programs should be adjusted to enhance this broader clientele as much as possible. The extension service should be encouraged and funded to educate and support such areas as community development, off-farm employment opportunities, recreation, and tourism development, food safety, pesticide use issues, and water quality. Resource conservation and development districts, the RC & D's, and the Soil Conservation Service should be expanded to their full authorization and funded to realize their potential as effective community development resources. Farmers Home Administration infrastructure and their business programs could be more effectively marketed to potential users. And I think that is very true in the State of Idaho. I hope Congress will consider packaging several related pieces of rural development, including USDA programs, Small Business Administration programs, and rural health programs.

A third point is to consider designing legislation that key rural issues vary in parts of the country. And the Governor of Nevada hit on that, I think, and I will skip over that, but for instance in the South, the most important issue might be remedying pockets of persistent poverty. And in the Northeast of the country rural growth issues might be the most important—too many people coming into rural areas. And as the Governor said, the major rural development issues in the West concerns distance and sparse population. Costs of providing services in that kind of environment are high.

The point is that because problems vary, solutions will also vary. While rural enterprise zones may fit the Southeast, the concept does not always adapt well to wide-open spaces. Here the use of information technologies, which the Congressman talked about, are extremely important. Again, I quote Governor Andrus:

> Where I would differ from the proposed Senate legislation is in denying the states a bigger role in the process. States are in a much better position to identify problems and priorities, and, in my opinion, are always more efficient administrators. States are laboratories for policy experimentation. My plea once again to the Federal Government is do not just give us a new mandate, but for once, let some of the money flow with maximum flexibility.

One way to expand that flexibility with existing programs is to roll the Economic Development Administration programs, EDA, and the farm home rural community programs into State block grants as was mentioned.

Having pointed out the regional variations, let me speak of four commonalities I see in rural needs. The first is that if rural areas are to respond to changing global forces, and if rural economies are

to diversify beyond the production of commodities, then we need good entrepreneurial training programs to encourage and direct flow of individual creative forces within our free market system. Training in marketing, finance, recordkeeping, personnel handling, and good business management will help reduce the failure rate of new business start-ups. Vocational education and the Small Business Development Center system may be the best lever to advance this knowledge, and the extension service can also help.

The second key to small business success is sufficient starting and operating capital. A major issue. It appears to me that existing financial institutions are leaving a gap in the credit that they provide. And this gap is particularly acute for small- to medium-sized businesses and farms, and in the mid- to high-level categories and particularly for nontraditional types of businesses in rural areas. The provision of the local revolving loan funds in S. 1036 I think is a good example to address this issue, and I appreciate that priority.

Third, a major goal of your legislation should be to empower local communities to plan and strive for a future of their own design. One way for you to help would be a grant program to cities who have completed a strategic planning process approved by the State. Such community certification programs currently exist in about half the States, and for as little as $25,000 to $50,000 per community, grants could be offered to implement their top priority item. In other words the communities would get to pick what is their priority. I think that makes the use of these funds efficient and offers flexibility.

The last common need is for investment in the construction and use of rural telecommunication systems. And I think that was well covered by Congressman Stallings. To close, let me comment briefly on the Senate Rural Partnership Act of 1989. It is a good beginning, but I think it can be improved. It can be improved by offering more flexibility to tailor appropriate programs for each region. It can be improved by using the States in a much greater capacity. And it can be improved by providing a greater role for the extension service for land grant universities, Soil Conservation Service, the Rural Conservation and Development districts, and, if possible, the Small Business Development Center system, as well as organizations such as the Rural Electrification Administration. Aid to rural America does not have to break the budget. Give us a modest, but flexible program targeted to the truly rural and distressed areas, and you will help us help ourselves. I very much appreciate being here, Congressman.

[The prepared statement of Mr. Rush appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Dick. I appreciate those comments.

Jim, if you would like to proceed.

STATEMENT OF JAMES V. HAWKINS, DIRECTOR, IDAHO DEPARTMENT OF COMMERCE

Mr. HAWKINS. Thank you, Mr. Chairman, and Congressman. Congressman English, welcome to Idaho. And we are pleased you are spending dollars in our tourism industry, which has been grow-

ing very well, and your staff. I too extend a welcome from Governor Andrus, who is sorry he could not be here.

I began my tenure in office, I guess officially in January 1987, but moved in at the Governor's request in November 1986. At that time we discovered we had a budget that was about $340,000 a year to address international trade, economic development, and the whole gamut. And thank you to Governor Andrus and the legislators here present and through the State of Idaho. They increased that budget substantially to $1.8 million. So for putting our money where our mouth is, we are investing in the State of Idaho. And we also ask now your consideration and those of your associates.

Idaho, as you know, is a rural State. We have 199 communities; 188 of them have less than 10,000 people, and half of those have less than 2,500. And they are a long distance from each other, and that is a concern as I travel through the State. And I did travel through the State right after receiving our budget allocation and found that the rural communities had stagnant economies, declining populations, which was a shock to me, no jobs to keep young people after they graduated from high school or college or wherever. We have vanishing rural hospitals. As Congressman Stallings said, we lost two this last year. We could have lost quite a few more. Even after three very successful years with these programs in rural Idaho, we have addressed that we still have some problems. We need to address those today.

I would like to spend my limited time today in talking about three recommendations, if you would, Mr. Chairman. Rural development is agricultural, but it goes beyond that area. I agree with Dick Rush, and compliment you, Dick, on your comments and support. His comments completely. We can no longer substitute, and I agree with what Dick said, substitute agricultural policy for rural policy.

In Idaho, as in many other States, communities depend upon mining, forest products and we call tourism a very strong industry in the State of Idaho. It is one of our expanding industries. But we must diversify. When I spent 26 years in the business world in working for companies and running companies, diversification was the key to our success. Diversification is the key to the success of business today, of communities today, of counties and regions of the State, and of the United States. We need rural development programs and policies that will encompass the entire range of issues and needs of our rural communities. This requires a broad view of policy implementation. I say broad underlined.

In the West this means we need help to overcome our distance problems that I talked about between communities and they are vast. Help to reduce isolation and time-distance with efforts to encourage not only telecommunication system, that Congressman Stallings mentioned today, we think that is an important and a tremendous opportunity of bringing our State together. The department of commerce would use it tremendously, as would the communities. We need applications that familiarizes rural Americans with the possibilities and the technologies. Realize that health care and education for rural America are development issues of equal importance. Without them we cannot make it. We are addressing the State legislature and the Governor, and we the State of Idaho,

and I am not talking about Democrats, Republicans, I am talking about the whole State of Idaho coming together to address economic development, which was health care and education, and that is happening through the general funds of the State. Any measures to help rural hospitals, extremely important here, I am sure you have already heard elsewhere, promote the locating of doctors in rural America is important, and to help smaller schools survive. Those are true development issues and measures. As we build these up and the communities are growing, then they can sustain themselves. They need that initial capital investment.

Finally, we need a national policy that promotes the use of vast western natural resources for economic trade, as well as recreation. Help us to apply information and technology to our natural resources to create new products that are competitive on the world market. And we in the State of Idaho recognize that we compete in a world market. We are addressing that. We have an international trade division within the department of commerce. The department of agriculture works this, and other areas work together as we know we must compete there. And the interesting part is, we can, and we are. But it is that capital infusion, the excitement to make that happen. I applaud the U.S. Forest Service economic diversification grants and the EDA rural tourism study currently under way as examples of programs that will help rural America and rural Idaho.

No. 2 recommendation. I would use the word flexibility, if you would, Mr. Chairman. Give us legislation that allows flexibility for States to design a program to meet their unique needs.

I recommend we use the block grant program the Governor of Nevada just mentioned. We use that program extensively. This gives a proper delivery mechanism that best achieves flexibility. Our experience with the HUD program of the community block rent program illustrate how we can handle flexibility.

In the first 7 years of the Idaho CDBG program, we received $53 million over that period of time. That is very small compared to other States in the United States. But what we have done, it was a $53 million leverage additional dollars on top of that in excess of $100 million. We have 241 projects and over 4,000 jobs have been created.

Now, let me say in the past 2 years since we have done a little redirecting in this CDBG Program, we have been able to focus on economic development projects, defined as those that have a job creation potential, and we require defining of jobs and retaining of jobs. In 1988 through the CDBG Program of $6.5 million, 1,575 jobs were created in the State of Idaho. In 1989, through 12, just 12 economic development grants, $2.3 million, the communities and counties that received these leveraged an additional $78 million against those dollars. That is called good management. That is called leverage. And that is called success. This is effectiveness to me. These projects include grants to cities to provide infrastructure, which is important in our State. You have to be ready to handle the growth. The infrastructure must be there. Enabling the start up and expansion of businesses, and many of the businesses involved have added value processing. Dick just mentioned Domsea and Anheuser-Busch here.

I can give you a community of Buhl, Idaho, a small community for Pet, Inc. It has expanded there the processing of beans. They were to start the processing of beans. And they will be purchasing millions of dollars of Idaho beans, processing the beans, canning them, boxing them, and shipping them out of the State of Idaho. That enhances agriculture. It creates jobs, and that is what solidifies the community from an economic development standpoint.

Anheuser-Busch here will purchase in excess of $54 million a year in agricultural products to the State of Idaho, with a $60 million plant expansion which creates jobs. And the ancillary opportunities around there are exciting.

We are now in jeopardy, as you know, Mr. Chairman, of a reduction of the CDBG program that has been declining. I have a deep concern for that. In fact, some of the guidelines—we were able to assist the Domsea project in Pocatello, Idaho, the trust choice project in Twin Falls, Idaho, with a grant to upgrade buildings that the communities owned, or the counties owned. And that type of grant is no longer being looked on positively by the HUD people in our regional office. That concerns me. Those projects could not happen today. We have other applications like that.

So I would ask you to continue to support the community development block grant program. I think that has been noted very well now. Although it may not be within your purview. I understand that too. But we ask for your support, and I think that is important.

As you take a comprehensive look at the Federal rural development policy, consider using the block grant method with the EDA and Farmers Home Administration to compliment the block grant program. Block grants on all three areas would allow advantageous scheduling of grant cycles, and then the commonality of those funds coming together at one time and leveraging those, putting together, to meet the needs of the communities. It is a single source funding from three different sources. You have three sources coming in to a funnel. We think we can handle that very well and efficiently.

Similarly, please steer clear of the information—we see a lot of information coming to us. We would rather have the dollars come to us rather than your information. If we know about the rules and the guidelines, we can make that happen. We think we have proved that we can manage the money.

And point three, and the final point, is modest resources, or all that is needed. Not vast numbers of resources in the capacity building. We do not need a huge new extensive program for rural development. A continuation of the existing program with added flexibility and some modest resources in a few specific areas will suffice. Allow us to use these resources to build more local capacity. This is called the State, making that decision at the State level, and then with the local people. The strategic intervention that builds independence, modest resources will go much further when used by units of government experienced at stretching the dollar. We think we can stretch it. We in Idaho have a very strong documented track record in stretching the dollar, and I am giving you a few examples.

In this past year we implemented the Gem community program, Mr. Chairman, and Richard is aware of this program, to provide training and technical assistance at the community level. It is a voluntary program by the community in which they apply to the department of commerce to assist them, assist themselves, to address economic development in a very professional fashion. It is a certification process. It has been so successful, but it allows the communities to allow what they want to do. It is a process to bring them together to move forward, and I tell you, it is working. We will within the next week or so have certified 12 communities in the State. We have applications that have filled up next year. We are already filled there. But these communities—and you talked about communities helping themselves. Today we are represented by communities all over this part of the State of Idaho. And they can make it happen. They just need the capital of funds in the gap financing, if you will, on those rent programs, to make that happen. This entire Gem community program was funded with general fund dollars for $50,000 and one full-time employee. He is here today. A terrific job. And these communities here, I can cite examples here of these communities, the rural communities, who are making, and that is the key, you make economic development happen. It just does not happen because something is going on in the East or somewhere. You make economic development happen. And when communities use the scalpel of precise and appropriate strategies rather than the sledge hammer of overwhelming financial resources, they can encounter success, and are.

In addition to programs helping communities become independent, programs should also help individuals achieve independence, complete independence. As such, I recommend that you support programs that enable States to develop entrepreneurial talents of their citizens. Help make rural individuals into producers rather than consumers, and owners rather than employees.

After you help individuals become entrepreneurs, use modest matching funds to provide these, and we can bring those matching funds together. It will happen. It is that gap financing. This gap is more intense in the West where history and sparse population have resulted in a few capital resources or centers of wealth. Without some capital infusion into young businesses, I call it community businesses, deserving and talented entrepreneurs are quickly defeated and return to their dependence. We need to be independent.

In conclusion, the three points.

One, rural development must encompass more and stretch beyond the Ag, as Dick has mentioned. I encourage Congress to make a comprehensive approach to rural policy.

Two, allow States the flexibility to fashion their own program. To have proven, and hold us accountable. Prove it folks, and we can show that. We show return on investments, incidentally, on our investments that we have. And we have proven our efficiency and effectiveness in the State. And the communities are doing it.

And modest resources, three, will suffice to correctively—correctively applied, make it work. So let us all use our Federal, State, and private dollars together, leveraging together, and the success is there. And we are just so proud to have you take time to be here. And it is happening here, Mr. Chairman. Richard has seen it. I wit-

nessed it, and I am very honored to work with people like this who are making it happen. Thank you.

[The prepared statement of Mr. Hawkins appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you. We appreciate those comments.

Senator Christiansen.

STATEMENT OF JIM CHRISTIANSEN, IDAHO STATE SENATOR, DISTRICT NO. 29

Mr. CHRISTIANSEN. Thank you. Chairman English, Congressman Stallings, ladies and gentlemen.

Since having been asked to participate in this panel, I spent many hours thinking, trying to come up with the one key ingredient necessary for rural economic development. After much thought, and study even, I have come up, and I just narrowed it down to just one word, and that is education.

Let me explain. It is not just the math, the sciences and the ABC's our children received in the elementary and the secondary schools. It is the reality that we as rural people must face. And that is, that we, along with the rest of society, live in a high-tech world. No longer can a rural businessman, which, of course, includes farmers, carry our monthly business dealings in our shirt pocket. No longer can we come home and give mother a business receipt to put in the pocket calendar on the kitchen wall only to view again at the end of the year to find out whether we have made money or lost money. No longer can we as businessmen tuck IOU's in our cash registers and hope that some day we will get paid for them.

After realizing this, that we live in a high-tech world, a successful businessman is going to start with a basic, daily, weekly, monthly, yearly, and yes, even a 5- to a 10-year long-range plan. We must do what the rest of the world does. And that is employ an accountant. Get an attorney in on our business. And the necessary advisors to organize a working practical budget. And then we should go to work to accomplish that goal.

We must have help in every aspect of our business, such as marketing. I am happy to say that the Department of Agriculture is doing that, and it is putting a great emphasis on marketing in the State of Idaho. On our purchasing, on our cost analysis, and so forth. We then put this in a computer, our high-tech machine, if you please, and then let it tell us whether our income exceeds our expense.

Farming, as you know, has become a big business. Nearly two-thirds of the food and the fiber in this country is produced on operations that are worth over $1 million or more. Rural business recordkeeping has not kept pace. This puts those businessmen at a disadvantage. In my opinion, and I would like to stress this very very strongly, that the farm crisis of the 1980's was a consequence of decisions made by the producer, businessmen, lending institutions, and accountants, without a solid understanding of finances. The problem was, and is now, that the records kept were not realistic and practical. In other industries, single entry accounting went out with the horse and the buggy. Businessmen relying on cash ac-

counting for anything more than tax avoidance often do not have a clue to their financial strength of their operation. Accrual accounting is an absolute necessity.

Now, how do we handle these problems. As a State in the United States, we need to have our higher institutes of learning offer courses aimed at rural small businesses, and remember this includes the farmer, rather than put all of their focus on the larger departmentalized and corporate businesses. And as you know, our colleges talk about corporate business and they have forgotten rural America.

Insufficient emphasis is being placed on rural business management by the existing institutions. It is my opinion that the county Extension Service, Small Business Administration, FmHA, Federal Land Bank, PCA, have the capacity to be of much greater service to our rural businesses with just a modest change in activity. Also, I am convinced, that rural bankers often lack the knowledge and experience with local, State, and Federal loan programs thus eliminating possible low interest loans to qualifying businessmen in rural America. Training for these loaning institutions could significantly enhance the availability of debt capital to rural businesses. Much of the organizational infrastructure is in place, but significant redirection of these resources will be required to provide the needed technical assistance.

Many rural communities and related businesses have failed to even begin to enter the high-tech era, and are, in fact, constrained from doing so by the lack of access to such simple technologies as the fax machine and the computer messages. Such deficiencies make it much more difficult for rural communities to attract the outside investors. Building an adequate rural telecommunications system would require substantial public investments, which in my opinion, is quite not likely under the current Government policies. And may I say, this is where you, gentlemen, can help us.

As a whole, I think that our basic infrastructure in the seven counties that I represent are a little above average. Of course, we have to realize that average is the best of the worst or the worst of the best. But still, we have a good infrastructure within these seven counties.

Now, we have two very very critical areas which I think must be addressed, which I do not have the answer. And that is why I was hoping that our county commissioners and our city people could work on it very strong, and that is, one, solid waste. I am not going to attempt to cover this issue, but we do have to have some answers to it.

Two, is rural health care. Again, I do not have the answer, but I do feel very strongly that it must be addressed by, and as you mentioned, the local people. The local people must first get involved, and then we must have help from the State and the Federal entities for this answer that we need.

The chances for success of rural development are definitely enhanced by forums such as these. I applaud you great gentlemen and thank you for your effort and your concern on our behalf.

My conclusion would be then, if nothing is done now or in the future, and I say near future, society will pay eventually in terms

of higher unemployment, welfare programs, and, of course, lower productivity.

Thank you.

[The prepared statement of Mr. Christiansen appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you senator. Mr. Christiansen, we appreciate those comments.

Representative Sessions.

STATEMENT OF JOHN O. SESSIONS, IDAHO STATE REPRESENTATIVE, CHAIRMAN, IDAHO HOUSE TRANSPORTATION AND DEFENSE COMMITTEE

Mr. SESSIONS. Chairman English, Congressman Stallings. Before I begin my formal testimony, I would like to make just a few brief remarks concerning comments that have been made this morning. I recollect back when Jim Hawkins came on board as director of the department of commerce, and I well remember some of his basic comments of what he was going to attempt to do. And, of course, some of those were, first of all we want to strengthen existing businesses within the small communities. And we want to help them diversify and stay in business, if at all possible. After we have done that, then we want to attract new businesses, new industries, et cetera. And Mr. Hawkins has certainly done a tremendous job for the State of Idaho. And I would like to compliment him on that.

I would like to give just a little scenario of my particular legislative district. I represent district No. 32, which is Bonaville and Teton Counties. And Dick Rush has already mentioned Idaho Falls as being one of the pockets of growth and development, and certainly that is very true. The other part of my legislative district is Teton County where I reside, and we are a small community, a very beautiful area, but we are very limited in agricultural development and growth because of living in a 6,200-foot elevation area. Agriculture is very limited. So the diversification that Mr. Hawkins has mentioned previously is one thing that we have attempted to do. And about 20 years ago we did develop a ski area, which is just across the Wyoming border. And, of course, we get the major benefits of that ski area. Through the years, it has furnished probably 20 percent of the jobs available in that area. It has been a significant strength to our economy. And Congressman Stallings has done a tremendous job in helping to get us diversified from just agriculture. Moving us into the recreation tourism industries, et cetera, and I certainly want to thank him for that. I would just like to say that we are attempting to diversify and go into other areas that has not been traditional through the years.

I would like to go ahead then with my formal remarks and give a specific example in the letter from Congressman Stallings. He mentioned he wanted to hear from rural Idaho. And so I would like to present a scenario which exists within my legislative district. I mentioned we have both the growth area and the stable or perhaps even declining population area within my district. So I have been able to see both sides of the issue. And my comments are to give a specific example of what is happening in a real small community

that is struggling to stay alive and maintain our existing economy as it presently is.

Going to my formal testimony then, I do want to express my thanks to both of you gentlemen for coming to Idaho and setting up this hearing, and hopefully from this hearing there will be some positive benefits derived. I want to refer now to one specific problem area in my community, and maybe it is an example of the conditions that exist in other areas. We have presently a small printing business that started up just a few years ago. This business is referred to as a small publishing operation which periodically publishes three magazines and a number of books, and, of course, these relate to hot rod mechanics, hot rodding, and custom cars. But nevertheless this individual has developed that into a national circulation. He does have quite a significant circulation for having just started out about 2 years ago. Well, this firm presently employs eight persons on a full-time basis. Now, after the publications are developed, it is necessary then for this individual to travel to Jackson, Wyoming to have them printed on a high speed four-color web offset press, and then the publications are subsequently bound in the Jackson area. In developing, printing, and distributing these publications, a considerable amount of capital is required. Also a short timelag exists between the time of publication, the sale, and thus the return of operating capital to the publisher.

Efforts to borrow short-term operating capital both from the Small Business Administration and local banks by this particular businessman has not been successful. It seems these entities are reluctant to make loans for publishing type operations. And Congressman Stallings, undoubtedly in the future I will be contacting you individually seeking your help on this. I think the cause of this not making the loan may be due to some of their current regulations and possibly some adjustments could be made. I just bring that to light.

If short-term capital were made available for this well established and reputable business owner, he has plans and he has the potential to expand his operations into the extent he could employ 30 individuals. So this is an example of a small community where maybe just a little assistance from government, even the Federal Government, could give that one segment a shot in the arm.

Now, in addition to this one publishing business, which I mentioned, there are other potentials within the area that is going to take some development. And I am sure Mr. Hawkins and his department are aware of many of these, and they have been very good to give assistance. We feel there is a potential there for other businesses related to skiing, hunting, fishing, snowmobiling, backpacking, and many other outdoor related activities. There is also a potential for an aircraft maintenance service in that area. There is potential for alfalfa and other feed related pelleted operations and things of that nature. There is a potential for commercial refrigeration services.

Considering the environment and the lifestyle, Teton Valley should be conducive toward attracting individuals and organizations for so-called think tanks attracting individuals and organizations for various type retreats that they may desire to schedule during summer months or at other times.

These are areas where we do have an opportunity and a potential to diversify from just agriculture. Presently there are several organizations that are working with elected officials both on the city and county level, and they are exploring these possibilities and others. And hopefully, they will be able to make some progress in expanding the economy of a small rural area which is presently just on the borderline of either going backwards or perhaps holding its own and perhaps moving ahead. They are supportive of the Block Grant Program which has also been mentioned here. I think that is great for small communities and hopefully that will be continued.

In closing, let me again thank you for scheduling these hearings, for your past support, and your vital interest in the future economic development of rural Idaho. Thank you.

[The prepared statement of Mr. Sessions appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you Representative Sessions. Just a comment on your testimony. In some cities, an employer that hired 30 people would not be considered that much of a significant impact. In Driggs, that would be a sizeable employment opportunity for people, and I think your testimony is very much to the point.

Commissioner Jensen.

STATEMENT OF FRANCIS D. JENSEN, COMMISSIONER, BINGHAM COUNTY, ID

Mr. JENSEN. Mr. Stalling and Mr. English, I thank you for the opportunity of being here today. I feel very inadequate with all these experts here. I kind of feel like the fellow that watched his mother-in-law drive off with his new cadillac. I do not know why I am here.

But I have a little different idea that I would like to present at this time. I would like to ask two questions first and then maybe make a presentation. How many of you thought about the insurance program that each of you belong to. In the last few years, it seems like we are mandated to have fire insurance, life insurance, whatever insurance you might have. And all these premiums keep developing greater and greater every year for us. This year just in our county, why we talked about people, and it seems like any amount of increase we can give them through cost of living is eaten up through the premiums of the insurance. The older people have Medicare and Medicaid and so forth, but they cannot really meet all their needs. I do not know the answer, but I just want to leave this as a question. What can we do to make it so that we can still be insured and still make it so that we can live? This would help our economical development in our communities greatly.

The second question is, there are some flaws in our welfare system. Think about this a little bit. We know a lot of people that said I would like to get a job and work, but they have told me that if I get a job and work that I cannot get welfare assistance, and so I cannot work. What would be wrong with letting people learn to work and get back to making what they can, and then subsidizing with the rest so that they could have a good lifestyle to live with.

This would give them a sense of value, it would help make the community work together closely.

So these are just two questions that I had that maybe you could think about and maybe help give the answers to.

Several years ago I was listening to a radio program and as it came up early in the morning there is a panel discussing what the Federal Government had in mind for the future of the United States. They made the comment that we would like to have everything. Build more corporates, get rid of the small businesses, small farmers, and stuff like this. And at that time I could not believe that this would ever happen. But it only took me a couple of years to realize without its farming and working sites, that this was a trend that was taking place. Everything was geared for mass buying, mass selling, for things could be bought and sold a lot cheaper in these quantities when they were really—that was not their trend for the United States.

But look what has happened. Around me where they used to farm 40, 60, and 80 acres, the only thing now you can have is hundreds and thousands so you cannot compete. Nobody will even come out and buy your potatoes if you only have 10 acres. And so you look around the streets of Shelley, Firth, Blackfoot, Idaho Falls, or wherever, there are businesses that have gone broke. Buildings are empty. They are getting a shabby rundown look about them.

And so now we need to go back to the start up a country and what was it that made us desirous to live here and to be free in the first place. It was so we could have our family farms, our small businesses, and run them the way we wanted to. If we did a good job, we prospered. If we did a lousy job, we went broke. And so we had pride in what we did and wanted people to know that we had pride in it and we done a good job.

So the questions for today are: What proposals do you support to enhance rural areas; what would your proposed cost be; and what role will your organizations be willing to contribute to them?

My first proposal is, and has been stated, to teach the young and old alike. The most important thing then is to have an education and to show a difference in the lifestyle they can have through a minimum wage and have a vocation that they can support their life with. And then to teach the young people and old alike that it is still honorable to sweat, to get your hands dirty by doing some old-fashioned hard work. And this would cost us nothing, because it is already built into our educational system. All we need to do is make it work. Teach the young to budget, spend what they have, and use their other basic skills to help them be useful to the society of our community.

The Government needs to realize that the backbone of America is still the people, small family businesses and small family farms, and ideas that we can realize through dreams, experimenting, and trying to again realize the old-fashioned American dream that everything is possible here.

How do we get these dreams instilled back into the people, and how do we get businesses and large industries, or whatever we want in our community to come there?

How many of you have driven through a town or a place and say, man, I sure would not want to live here? The streets are dirty, shabby looking, and so forth. And then vice versa we made the comment, I certainly would not mind living in this place, it really looks nice.

I guess it comes down to we as individual people again. It is up to us to find out when businesses are looking for a place to open up, or open new businesses, or develop. That they want to look for transportation, they want to look for sewer services, power costs, and so forth like that. But one of the most important things they look at is what the community looks like and what it can accomplish.

We need the Government, we need big business, we need the family farms, small shops, the hamburger joints, and whatever else it takes to make our town thrive and prosper; and to help our old and young alike to be happy where they live. We need to be interested in what is happening to our neighbors and our friends, and be willing to lend a hand to make their business and industries go forward and work. Just be proud of who you are and what we are. Moving forward in all directions, working together for a better and more prosperous and happy community in which to live. I think it is the Government, the people, and all of us together to make this rural economical development work. If we need some money to help get these businesses started we need that. But we also need the support to let the people kind of do their own thing and go back the way it was in the beginning.

Again, I thank you for your time and have a good stay in eastern Idaho.

[The prepared statement of Mr. Jensen appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you Francis.

Mr. Mayor. Bill.

STATEMENT OF BILL WHITTOM, MAYOR, CITY OF RUPERT, ID, ON BEHALF OF THE ASSOCIATION OF IDAHO CITIES

Mr. WHITTOM. Thank you. I am Bill Whittom, and I am the mayor of Rupert. And I am here not only representing my fine city of Rupert, Idaho, but also other fine cities here in the gem State on behalf of the Association of Idaho Cities.

Idaho is a State of small communities. Mr. Hawkins told us a moment ago there are 199 incorporated cities. There is only one with a population of more than 100,000 at this time, and only 12 communities have populations of greater than 10,000, and I think the most significant factor in the figures that I have available is that 120 cities have populations of less than 1,000 here in the State of Idaho right now. Our smallest community is Warm River, an official population by the way of just two people. My city of Rupert has a population of approximately 5,500 at this time. Of the total State population, 61.3 percent live in cities. In a nutshell, small communities are the lifeblood of Idaho. Our small communities require a different level of attention from the Federal Government. Many of the grant programs available to urban America are not designed for small rural communities. Now, then the Federal Reve-

nue Sharing Program was disbanded a few years ago, then Idaho's communities lost, in many cases, their only source of Federal assistance. In addition, Idaho cities have been constrained since 1978 in our ability to raise revenues at the local levels. Particularly, property tax revenues. The Advisory Council on Intergovernmental Relations has ranked Idaho's local governments last in discretionary authority. As your committee considers programs in rural development, please keep the small communities of this Nation—Idaho's small communities—in mind. Our resources for taking on federally mandated programs are extremely limited.

You have probably heard this before, but I think it needs to be restated again here. The small communities in Idaho are especially vulnerable to the dramatic impacts of Federal mandates. In particular, we are becoming increasingly burdened with the responsibilities to meet environmental protection mandates with very little help these days from the Federal Government. Small communities do not have the resources to pay for the costs of these mandates on their own. Cities in Idaho want to be good partners in carrying out Federal policy initiatives, but we cannot do it on our own. One that I can think of right now in my city, is that we have to take out all of the underground storage tanks we have. Whether we use them or not, they have to be removed. That is something that is going to be a costly thing for us. There are many service stations in the area that are facing the same thing thanks to the wisdom of those in the Environmental Protection Agency. Expanding the permissible uses of existing funding programs would help us, such as the Farmers Home Administration, or Small Business Administration, or others to focus on rural development would also be helpful.

I think I am right in assuming there are about four USDA funding programs that are currently available for these type of things, and I think there are two in the Housing and Urban Development, which provide grants or some kind of low-cost loans for infrastructure development, which is a buzz word that we are using today because it is important; and it is one of the things that is necessary to keep cities alive here in Idaho. These programs, I think, HUD and Farmers Home Administration, other programs within the USDA, and the Housing and Urban Development, should be evaluated, and I think you mentioned that, Mr. Congressman, in your opening remarks, to determine if the funding available could be applied to rural infrastructure development. For example, small cities in Idaho will soon be facing some new EPA mandates in addition to the one I talked about with the gas and petroleum underground storage tanks. But is on drinking water quality. And I believe the Federal Government's participation so far in funding the costs of those new standards is something like $62 million nationally, and that, no pun intended, is just a drop in the bucket when we start looking at what we need to do just here in Idaho.

Our cities role in promoting rural development really focuses on providing the infrastructure necessary for economic development. I believe there is no shortage of good innovative ideas about how we can make the small cities of Idaho an even greater place to live. What cities need are additional resources to ensure that our citizens have the basic services that they need. Things like clean water to drink, good streets to travel on, and get the farm goods to

the market, and other things that we manufacture here in the State of Idaho, and safe bridges to cross, and adequate sewer systems; and without these basic services, you cannot expect to expand industries or attract new ones, or any kind of growth for that matter, but allows families to raise their children who will be able to grow up and have the opportunity to work in their hometown. The role of city government is to provide for the infrastructure that makes our communities good places to live. Perhaps an emphasis on funding the basics will translate into rural success stories you will share, and we can share with you, in the future.

I have already touched on the possible funding for rural development from USDA and from HUD programs, and I think you people have indicated that there are so many programs there, we do not know how effective some of them ever are at this point. Another source of funding, and I really believe this, could be discovered by reassessing the production oriented support and buyout programs that the Federal Government administers at this time. Congressman Stallings graciously hosted a meeting with Charles Stenholm, a Congressman from Texas, who is with the dairy portion of the House committee; and I met with him in Washington, DC recently, and discussed the Dairy Buyout Program, for example. He says there will probably not be a Dairy Buyout Program in the next farm bill. Shift some of those types of funds into our communities so those Federal dollars can be invested in infrastructure for rural communities. And then we can process more milk, and we can process more potatoes, and we can process more sugar beets, and provide homes for the people so they have adequate housing and so forth in those areas. So I say that that is a key, and everything that I have to offer here today is to take some of those funds and shift them into communities such as the Ruperts, and other communities here in the State.

As you consider the administration of a rural development assistance program for small communities, please remember that small communities with part-time mayors like myself, need access to timely information about the rural development programs that are available. Now, the Association of Idaho Cities, and other municipal leagues across this country, can provide valuable assistance in getting program information to small community officials. Federal agencies administering those programs need to be reminded that their programs should be designed with the end user in mind.

Here again, time after time after time, and I am sure people on this panel have been aware of this, we see a program come into place, and we have like 1 week to get it developed or we are not in the running for it. Jim Hawkins can attest to this with programs that are administered through the Federal Government intermingled with our own State department of economic development. And we have problems meeting those because I am a part-time person in a community of over 5,000 people, but those funds are important to us to stay in business. And you think that Boise's and the bigger towns, they have a staff that can handle that and they can be on top of that all the time. We do not have that ability or the funds to do it with, so keep that in mind so we are all playing on an even field. It kind of reminds me of the agricultural picture right now, with the way gap is going and everything the American farmer is

24-380 O—90——32

not on a level playing field. And neither are we in the cities if we are small and we cannot be competitive with those in the big cities that have the staff to do this type of thing with.

I would like to see rural development assistance programs designed in such a way that the formulas used in disbursing funds would be weighed in favor of community projects which are oriented to agriculturally related results. If a program is designed for rural development, then let us make sure the benefits are felt in rural communities. The more that we can help to promote sewer water and so forth for industries that want to come and process agricultural communities, then tailor the program so that we benefit from that more than somebody that might be using funds to develop it for another program.

The Association for Idaho Cities is ready to share your ideas with its member cities here in the state. We are willing to ask our members to respond critically to proposed programs. We are prepared to promote legislative initiatives which are beneficial to Idaho cities and rural communities in the nation. And with that, I just ask you to please consider these things on behalf of the large and small cities in our state and nation, and I thank you for coming here.

[The prepared statement of Mr. Whittom appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, mayor. I appreciate the comments and the testimony of all of you.

Mr. English, do you have any questions you would like to direct?

Mr. ENGLISH. Well, I do have a couple of comments I would like to make. Mr. Rush, I want to commend you as director of the department of agriculture for recognizing the importance of rural development to agriculture. I think that is a point that is going to have to be driven home over and over again to agricultural groups. Many already recognize it, but quite candidly not enough do. They have a very very big stake in this, and their future is heavily dependent upon any success that we have as far as rural development, and I think that they have to understand that.

Mr. Hawkins, we have throughout the Federal Government now about $12 billion that is available for rural development that is being spent presently. That is really in all candor with the exception of $300 million additional that was added in the Federal budget this last year, and as I understand it the chairman of the Appropriations Committee has already found it fit to set aside $150 million of that for rural water, so that leaves us about $150 million. Really, we are talking about roughly that pot of money that is already in existence out there. The Department of Agriculture has about half of that. It has about $6 billion that is available that we can use in one way or another. Well, obviously with those kind of limited resources we do not seem to be having the kind of impact that we need to have with it kind of going scattered all over the countryside, going to all different kinds of projects and different things, it is kind of a hit and miss proposition, and I think, as I said, there are some serious questions as to how effectively it is being used. If we pull all that money together, if we put it into a pot and we figure out, OK this is money that we are going to be targeting, then we also find ourselves getting into the question of how do we determine who gets money and who does not. Is the

mayor's community down here going to get money, or is it going to be some other community that is going to get money? Do you have any suggestions for us as to how we start going through this process and determining well, this community we think has a real good chance to grow, but this community may not have a good chance to grow. And should we get into this process of trying to play Solomon, I suppose, in making that kind of decision? I am giving you a terrible question, I understand that, but it is one that we are going to try to answer, and I would say I was very impressed with your comments.

Mr. HAWKINS. Thank you Congressman. We do face that today. We have appointed the economic advisory council that reviews all of our block grants, for example. And the grants that come in under the CDBG program are competitive. And that council has established strong guidelines. And a reviewing process point system—and I would love to share that with you, we are very proud of it—and the communities have become very competitive for those dollars. We have so few dollars so that you have to have some process of review because all of them are very important. Some of them do not make it to first round, some not to second, and some to third. We work with them to make them happen. But part of it is, are there matching funds. That is important. Are there jobs creation. Does it meet, in this case, the national objective, which is an objective we must follow. So I believe, when we say we, I would like to see the we be the State of Idaho, make that decision, bring it to the State level. And I think we can very judiciously and in a business like fashion review where those dollars belong. Communities represented all over here receive these block grant funds. In fact, every county in the State of Idaho received block grant funds. And the number of the communities, I believe, are not administering around seventy grants at this time. It takes time to close them out because of the public infrastructure and the time it takes to build the projects.

Mr. ENGLISH. If you could submit for the record the system that you use, the point system that you use, and the method in which you do that, I would like very much to see that. We are searching for that kind of information. I think it has to be done in some way and I am not sure exactly what the best way to do it is.

[Material submitted by Mr. Hawkins follows; the hearing continues on page 1006.]

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DEPARTMENT OF COMMERCE

September 11, 1989

The Honorable Glenn English
U.S. House of Representatives
Rayburn House Office Building
Room 2206
Washington, D.C. 20515

Dear Representative English:

Thank you for holding your most recent subcommittee hearing on Rural Development in Blackfoot, Idaho. I am pleased to respond to your question on how our agency distributes resources to various communities, and how we avoid the quagmire of picking winners and losers among communities.

The policy of the Idaho Department of Commerce in targeting resources rests upon one variable, community initiative. We feel this is the only fair and safe process for making choices for the investment of public resources. We have chosen this variable because it ensures that communities have control over their future and the extent to which they receive our assistance in building that future. The Department of Commerce has two programs that exemplify this principle, and may be useful to your committee in policy making.

As you will recall, during the August 22, 1989 hearing, I explained our Community Development Block Grant Program, and you requested a written explanation of that program for the record. Herewith, you will find a copy of the program rules, the staff "evaluation review sheet," the rating form for 1989 Idaho Community Development Block Grants for public facilities, and a spread sheet listing the ICDBG public facility applicants for 1989.

As you explained, the grant writing and match requirements of these grants can place a burden on rural communities. Yet most of Idaho's applications come from rural communities. In Idaho, we have compensated for this burden with planning districts and private consultants that provide technical assistance in grant writing, and a grant evaluation process that awards points for "rural" communities, distressed communities, and communities that have completed a strategic plan certified through our Gem Community Program. Moreover, our Economic Advisory Council, which evaluates grants and recommends them to the governor, is given discretionary judgement in awarding points and funds to communities. This enables them to award extra points to rural communities with extenuating circumstances.

Finally, our Idaho Gem Community Program is designed to help communities take the initiative to develop a local strategic plan. Training and technical assistance result in communities that have carefully considered their economic opportunities, developed a strategic plan, and are prepared to effectively implement economic development measures. Their preparation gives us confidence that public dollars are wisely invested in those communities. I have enclosed a Gem Community Certification Manual that explains the program in its entirety.

I trust that my comments and the enclosed materials have been helpful to you, and that they will be entered into the congressional record in support of my Blackfoot testimony. Should you require more information, I would be happy to explain our programs and policies in person or by phone.

Again, thank you for the opportunity to comment on federal rural development policy. I wish you success in its implementation.

Sincerely,

James V. Hawkins
Director

JVH/gs/jr-2

Enclosures

RATING FORM 1989 ICDBG PROJECTS

Bancroft #45
GRANTEE ELIGIBLE APPLICANT Y ADMINISTRATIVE CAPACITY DOC Y

CITIZEN PARTICIPATION PLAN ADOPTED AND MEETS ICDBG CRITERIA Y

PUBLIC HEARING PUB DATE	10-20-88	DATE MEETING HELD	10-27-88
brief description of project	Y	Public Hearing Minutes Attached	Y
amount of funds requested	Y	app & handbook available for review	Y
time and place of hearing	Y	amount of funds available	Y
not ver & writ com accepted	Y	range of act and benefit to LMI	Y
		comments/citizen adv com	Y

PROGRAM IMPACT(460)

%ICDBG $ (120)	40	ICDBG $/Person (60)	20
%Match $ (60)	20	Match $/Person (60)	40

Eligible Activity (100) 93 Minority Benefit (30) 30
Distressed Community/Downtown (30) 0
Environmental Considerations (0) Displacement (0) SUBTOTAL 243

COMMENTS

NATIONAL OBJECTIVES (260)
LMI NEED (80) 80
City has inadequate water supply and is in violation of new EPA standards for Water System Disinfection. Has been on one boil order.

LMI IMPACT (80) 80
install a new 6,900 foot line from the tank to the city, connect the existing wells in the City to the line which will make a flow-through water system that can be disinfected. Install pump and tank controls in the water storage reservoir and in the wells. Reconstruct the spring facilities and existing disinfection units attached to the spring sources.

LMI PERCENT (100) 20 SUBTOTAL 180

PROJECT CATEGORIES (180)
Public Facilities
Plan/Pre Act (50) 50
Gem Com (50)
Cost & Sched (80) 80

SUBTOTAL 130
TOTAL 553

COMMENTS

PROJECT ELIGIBILITY DOCUMENTATION
Project is reconstruction of a public facility and is eligible according to 24 CFR 570.201 (c).

PROJECT NATIONAL OBJECTIVE DOCUMENTATION
This project meets the National Objective of benefit to low and moderate income persons according to 24 CFR 570.208 (1)(i) because the benefits of this activity are available to all the residents of the City of Bancroft who conducted a survey which documents that the population of Bancroft is 60% LMI.

ADDITIONAL INFORMATION REQUESTED DATE REQUESTED/DATE RECEIVED

ECONOMIC DEVELOPMENT GRANTS
EVALUATION REVIEW SHEET

Applicant City of Moscow **date received** 3/7/89
postmarked 6/3/89

Project Construction of a 16,674 square foot Business Technology Incubator on 3.1 acres of University of Idaho.

Schedule OK-Construction Scheduled for July-Dec. 1989

Cost OK-Costs and source of estimates are detailed

Funding:

ICDBG	485,000
Local	574,960
Private	2,716,000
Other	EDA-785,000
Total	$3,775,960

Minimum Criteria:	yes	no	na	comments
National ObjectiveMet?	X			LME jobs projected
Eligible Activity?	X			CFR 570.21 (c)
LMI Jobs = 51% ?	X			The City has certified this will occur
Federal Assurances signed?	X			These are in the pre-application
Necessary or Approp.?	NA			The project for building construct ion
Public Hearing Held	X			Published 10/29/88 and 11/05/88-Date of Hearing 11/07/88

Ranking Criteria:

1989- 1990-

New Jobs: Initial 25 **2 years** 49 **Note:** Applicant states these are conservati
49 jobs X 500,000 / 485 grant = 50 points.(300 max)

Business Risk and Management: (100 points max 75 min) Business-100 **Points**
Information and Market Evaluation are included in the pre-application

Planning, cost,schedule: (100 points) Substantial documentation pre-applicatin 50 **Points**

Gem Community? yes no Certified 50 **Points**

Idaho Inputs (50 points) 0 **Points** **Minority Benefit** (25 points) 2 **Points**

Local Investment (100 points) local$ 574,960 ICDBG $ 485,000 -100 = 54 **Point**

Private Investment (100 points) Private $ 2,716,000 ICDBG $ 485,000 -100 = 82 **Points**

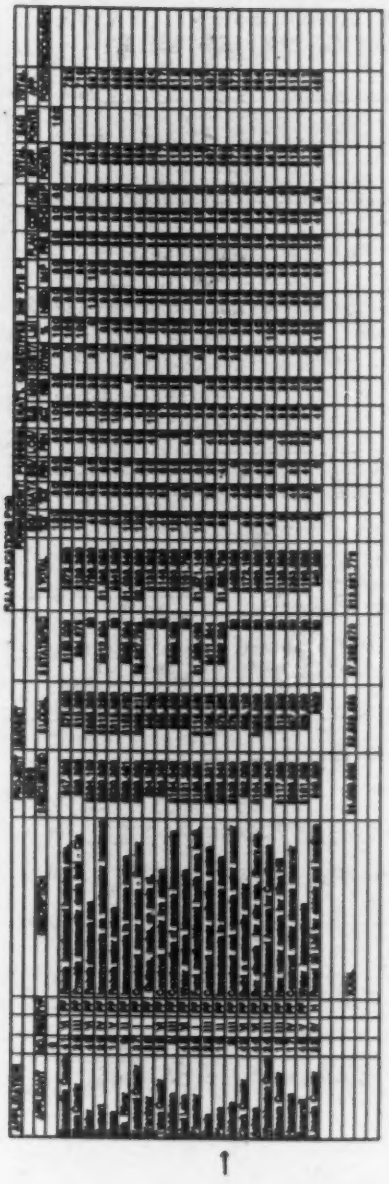
Elgible Activities (100 points) 570.201 (c) Construction of Incubator 98 **Points**

Grant Administration (25 points) The city will contract to administer 25 **Points**

STAFF POINTS: 511 **RECOMMENDATION** Invite for full application

EAC EVALUATION POINTS (100 POINTS) _____ _____ **POINTS**

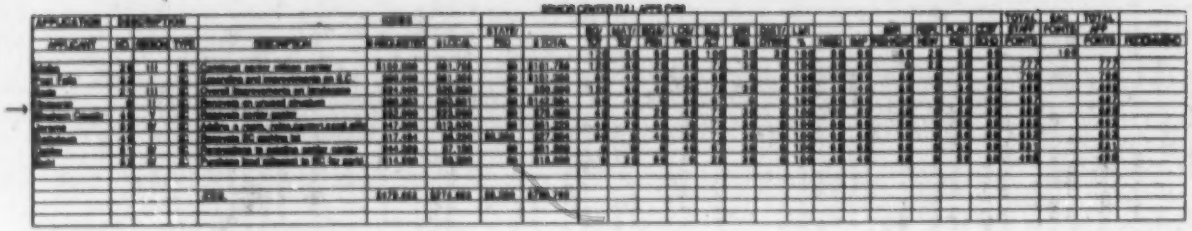
TOTAL POINTS _____ **RECOMMENDED TO GOVERNOR** _____



Through Pierce 2,730,552

Amount Available 2,955,152

Amount left if fund through Pierce 224,600



Through Nezperce 303,953

Amount Available 328,700

Amount left if fund through Nezperce 24,747

METHODOLOGY OF POINT ASSIGNMENTS

I.	PROGRAM IMPACT				460
A.	BG/TOT* - % of ICDBG funds in total project. (Four quartiles 120-80-40-0)			120	
B.	MAT/TOT* - % of Match funds in total project. (Four quartiles 80-40-20-0)			80	
C.	BG/PSN - Amount of ICDBG funds requested per person benefitted. (Four quartiles 80-40-20-0)			80	
D.	LOM/PSN* - Amount of match per person benefitted. (Four quartiles 80-40-20-0)			80	
E.	ELG/ACT - Priority points assigned to various activities. The more money spent in a priority activity the more points assigned.			100	
F.	MIN/RES - Minority benefit. Points given only if a Fair Housing resolution has been passed and published within the last 12 months.			30	
G.	DIST/DTWN - Distressed Community or Downtown project.			30	

*Note: Match funds were counted only if match commitments were firm as of 12-12-88. This was done to ensure that projects funded would be ready to go at time of award.Points in this category make up almost half of all points assigned. Staff feels this reduces flexibility and recommends for future rules reducing this category by 100 points and adding those points to Need and Impact.

II.	NEED & IMPACT				260
		LMI		S/B	
A.	LMI% - The number of LMI persons to benefit (possible 100,80,60,40,20)	100			
B.	NEED - Needs of LMI/Prevention of Slum & Blight	80		130	
	1. Health & Safety Critical or 100% LMI* (full points)				
	2. Health & Safety Moderate * (65/100)				
	3. Health & Safety Potential* (50/70)				
	4. Community Need* (40/50)				
C.	IMP - Impact project has on LMI/Prevention S/B (If project meets needs, same points as impact.)	80		130	

*Note: For water & sewer projects consultation with Div. of Environment played major role in deciding need & impact.

III.	PROJECT CATEGORIES				180
		PF	HEG	SR	
A.	PLAN/PRE - Planning & previous Actions	50	30	50	
	1. Engineering/Architec 1/3 of points				
	2. Move project forward 1/3 of points				
	3. Match committed 1/3 of points				
B.	COST/SCHD - Cost & Schedule done & realistic	60	40	80	
	1. Costs included & realistic 1/3 of points				
	2. Schedule included & realistic 1/3 of points				
	3. Match committed 1/3 of points				
C.	HSE/IMP - How will proposed project improve community housing stock.		60		
D.	SNR/REH/EXP of REPL/NEW (senior form only) Rehabing or expanding center is worth 80 points while building a new center is worth 25 points.			50/25	
E.	Certified Geo Community not on form because no community certified yet.	50	50		

TOTAL STAFF POINTS	900
ADVISORY COUNCIL POINTS	100
TOTAL POINTS	1,000

991

GEM COMMUNITY CERTIFICATION MANUAL

IDAHO DEPARTMENT OF COMMERCE
CECIL D. ANDRUS, GOVERNOR
JAMES V. HAWKINS, DIRECTOR

992

GEM COMMUNITY CERTIFICATION MANUAL

SECOND EDITION

1989
Idaho Department of Commerce

This document funded in whole by an Economic Development Administration 302 (a) Planning Grant

IDC-90-01-10-291-600

OFFICE OF THE GOVERNOR
STATE CAPITOL
BOISE 83720

CECIL D. ANDRUS
GOVERNOR

(208) 334-2100

October 3, 1988

Fellow Idahoans:

For more than 200 years rural America has provided the economic and cultural strength of our nation. Small towns--and the main streets of those small towns--have made a tremendous contribution to Idaho and America, but rural America has been through tough times.

States like ours, which depend heavily on a natural resource based economy, have suffered. It's clear to me we must provide our own economic salvation; no one will do it for us.

This administration, and the Idaho Department of Commerce in particular, place major emphasis on rural development. I am convinced that the continued development of economic opportunity and jobs in rural Idaho is good for everyone in our state.

The Idaho Department of Commerce's Gem Community program is designed to allow every community in Idaho to develop an effective, aggressive economic development effort. Our ability to create new jobs and new economic opportunity depends upon the quality of the partnerships we create between business and government at all levels. The Gem Community Programs will link and strengthen our economic development efforts and make for a stronger, more prosperous Idaho.

Sincerely,

Cecil D. Andrus

Cecil D. Andrus
Governor

CDA/mjp

Cecil D. Andrus
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James V. Hawkins
Director

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DEPARTMENT OF COMMERCE

September 1, 1989

Fellow Citizens:

The Idaho Department of Commerce works with businesses and communities to bring prosperity to our state and its people. We recognize that the cooperation and commitment of local leadership is essential to economic development, and we are interested in helping communities develop the capacity to carry out proficient economic development programs of their own.

Our Gem Community Program is designed to help communities build their own economic development programs. Through the program, we will encourage a strong partnership between the State of Idaho and its communities. By combining our efforts for economic development with those of Idaho's communities, we can accomplish far more than if we act independently. We hope your community will participate in this program, and build a lasting partnership with your Idaho Department of Commerce.

Sincerely,

James V. Hawkins

James V. Hawkins
Director

Celebrate IDAHO

GEM COMMUNITY CERTIFICATION MANUAL

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CHAPTER ONE

IDAHO'S GEM COMMUNITY PROGRAM

Taking Action: The Best Alternative

Change in the economy is inevitable; for better or for worse. In the 1970's most Idahoans benefitted from change as Idaho's economy expanded throughout the state. The prosperity of the 70's changed to recession in the 1980's, and the economic growth of rural areas, like Idaho, lagged behind the nation's urban centers. Rural communities, especially those where the economy is dependent on resource-based industries like agriculture, mining, and wood products, have been slow to recover from the economic hardship of the 1980's. This is true for most if not all of Idaho's communities.

Communities have two options in dealing with the change they face. Their first option is no response at all. They can be patient and hope that, like a "white knight," the government or a new business will ride into town and save them. Some places will be lucky, but many will continue to suffer. Idaho's notable collection of ghost towns is testament to the possibilities this option holds. The second option for Idaho's communities is to take action by adjusting to change and turning it to their advantage. Clearly this is the best alternative.

Idaho's communities, large and small, are part of a rural and rugged state. Many factors that effect the state's economic health are determined by institutions and forces beyond their control. As such, communities cannot afford to wait for good developments. Instead, they must pursue them.

Many of Idaho's communities have realized that they must take action. They have formed economic development efforts or are in the process of doing so. Those active communities that have made a commitment of time and resources also want and deserve a partnership with the state. The Gem Community Program is one of the State of Idaho's contributions toward fulfilling that partnership.

The Gem Community program delivers training and technical assistance in economic development to communities that are willing to take action. The goal of the Gem Community Program is to assist communities that want to organize an economic development effort, and to recognize the accomplishments of communities that are organized.

How Does It Work?

On an annual basis, the Idaho Department of Commerce will invite cities, counties, chambers of commerce, and local economic development organizations to enroll their community in the Gem Community Program. Interested communities will apply, and, based upon available staff and resources, will be selected to receive the Gem Community training.

Selected communities will receive at least five training sessions on orientation to economic development, community assessment, infrastructure improvement, enhancing the economic base, and economic diversification. Communities will also receive technical assistance in completing their economic development strategy. Both training and assistance will be provided by the Idaho Department of Commerce in cooperation with many other regional, state, and federal agencies.

Communities will complete several tasks corresponding to their training. These tasks will include an Organizational Plan, a long term Infrastructure Improvement Plan, a long term Business Retention/Expansion Plan, a long term Economic Diversification Plan, and a Short Term Plan that identifies top priorities from each of the long term plans. Other required tasks will be completion of a Community Profile and Land and Building Inventory.

Once these tasks are completed, a community submits them to the Idaho Department of Commerce with an Application for Certification. This will initiate the final steps to certification - a community visit by a team of experts who will assess the readiness of the community and a review of the community plan by the Idaho Department of Commerce's Economic Advisory Council. A positive assessment will result in "Gem Community Certification" and all the benefits thereof.

What Are The Benefits To A Community?

- Communities receive training and technical assistance that result in an organized economic development program and a better chance for prosperity in a continually changing economy.

- The Idaho Department of Commerce will recognize each certified community with a press release, certificates, and road signs recognizing their achievement.

- Each community will receive a matching grant of up to $1,000 to implement their economic development strategy.

- When making an application for a public facility grant or economic development grant under the Idaho Community Development Block Grant Program, communities will automatically receive 25 bonus points if enrolled in the Gem Community Program and 50 points if certified as a Gem Community.

- The Idaho Department of Commerce will annually place an advertisement in a national publication to announce the economic development readiness of Idaho's certified Gem Communities.

- The Idaho Department of Commerce will annually produce a brochure on Idaho's certified Gem Communities that will be used to respond to inquiries about the State of Idaho.

What Are The Benefits For Idaho?

- The Idaho Department of Commerce will gain a network of capable local economic development organizations that will help to accomplish the enormous task of economic development.

- The Idaho Department of Commerce will learn more about the state's communities, and it will clearly understand who is the primary economic development contact for each community.

- The Gem Community Program will promote coordination and cooperation among Idaho's many economic development entities at the regional, state, and federal level by allowing them to participate in a single focused program.

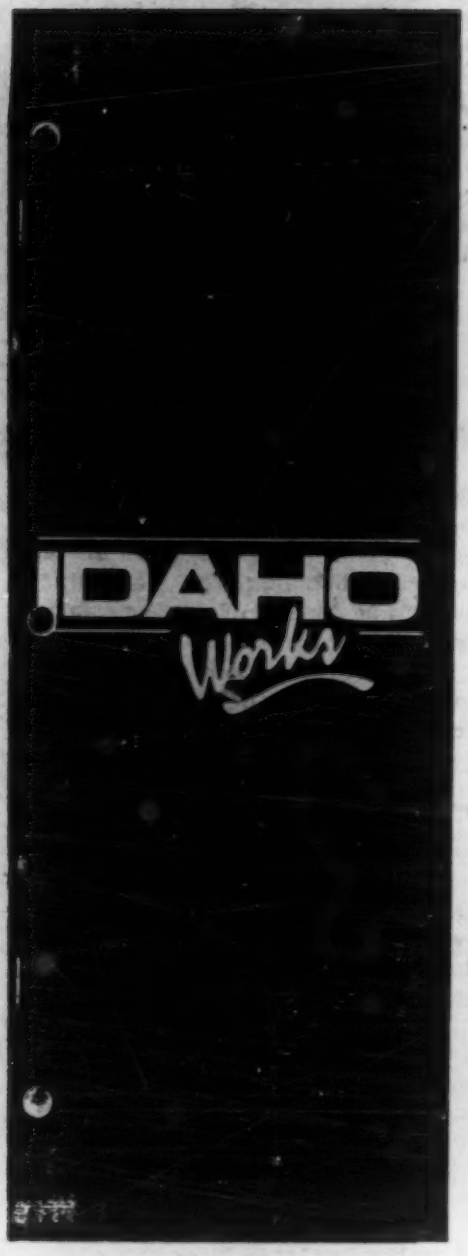
- The Gem Community Program will improve the planning precess statewide to provide more information to planning districts and to identify top priority projects that most warrant the attention of the Department of Commerce and other economic development organizations.

How To Use The Manual

The Gem Community Certification Manual describes the rules, training materials, and resources of the Gem Community Program. For communities considering the program, it describes the benefits, requirements, and enrollment procedures for the program. It is a training manual for the economic development group members from enrolled communities, and it is a guide to certification for "fast track" communities that do not desire training. For certified Gem Communities, it is a guide to the rules of recertification and a resource manual. The manual begins with an overview and explanation of how to enroll. It then describes the training process, and it includes a description of Gem Community Certification requirements. The manual concludes with an example of a certifiable community plan in Chapter 9, and a reference section in Chapter 10.

The Department of Commerce reserves the right to make changes to the manual with proper notice. If the manual does not specifically address a question or issue arising from the Gem Community Program, Department of Commerce staff will make every attempt to answer questions and issues. If a decision is required that is not addressed by the manual, Department of Commerce staff will render a decision with explicit reasons in support of that decision. The Idaho Department of Commerce welcomes any recommendations with regard to the manual and the Gem Community Program.

(The complete report is held in the committee files.)



Idaho Community Development Block Grant Program

APPLICATION HANDBOOK

FY89

STATE OF IDAHO
Department of Commerce

Cecil D. Andrus, Governor
James V. Hawkins, Director

Cecil D. Andrus
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DEPARTMENT OF COMMERCE

September 1988

Dear Elected Official:

We are now ready to begin the 1989 Idaho Community Development Block Grant application cycle. The FY89 Administrative Rules and Application Handbook has been prepared to assist you in this process.

You are strongly encouraged to become familiar with these Rules and contact the Department of Commerce if you have any questions.

Sincerely,

James V. Hawkins
Director

Celebrate IDAHO

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IDAHO COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (ICDBG)

1,1,1 **INTRODUCTION**

In 1981 Congress amended the Community Development Act of 1974 to allow states to assume the Department of Housing and Urban Development's Small Cities Community Development Block Grant Program.

The Department of Commerce, through these rules, is implementing the state's administration of the Small Cities Community Development Block Grant program as authorized by the Housing and Community Development Act of 1974, as amended, (42 USC, Sec. 5301) and Department of Housing and Urban Development Rules 24 CFR, Part 570, Subpart I.

Funds which are appropriated annually by Congress are allocated by statutory formula to each state.

The primary objective of this program is the development of viable communities by expanding economic opportunities, providing decent housing, PRINCIPALLY FOR PERSONS OF LOW AND MODERATE INCOMES.

CONSISTENT WITH THIS PRIMARY OBJECTIVE, PROJECTS FUNDED UNDER IDAHO'S COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM MUST BE DESIGNED SO THAT EACH ACTIVITY WILL BENEFIT EITHER LOW AND MODERATE INCOME PERSONS OR WILL AID IN THE PREVENTION OR ELIMINATION OF SLUMS AND BLIGHT, OR WILL MEET OTHER COMMUNITY DEVELOPMENT NEEDS HAVING A PARTICULAR URGENCY BECAUSE OF EXISTING CONDITIONS WHICH POSE A SERIOUS AND IMMEDIATE THREAT TO THE HEALTH OR WELFARE OF THE COMMUNITY WHERE OTHER FINANCIAL RESOURCES ARE NOT AVAILABLE TO MEET SUCH NEEDS.

Since the demand for grants far exceeds the available funds, an annual competitive system will be used to select grants except for the imminent threat and economic development grants. Grant applications shall be submitted, rated and selected for funding according to the criteria and procedures established by these rules.

(The complete report is held in the committee files.)

Mr. HAWKINS. There is some flexibility in—for example, there are points assigned by the staff based on presentation of documentation. And then the council themselves have flexibility of a percentage of those points, maybe like 20 percent, because of the formal testimony that is given by the city and the county at a formal session. And it is very impressive how these people come forth with private dollars—with other Federal dollars—if you will, State dollars, what have you, it is the efficiency of dollars. The dollars are out there I am convinced at the Federal, State, and local level. It is that there are so many restrictions that have been placed on some of the Federal dollars that you become so frustrated that you cannot meet that final one objective, if you will.

Mr. ENGLISH. Well, one of the things that obviously we are doing here is that we are looking for ways of building that flexibility in that you are talking about, but we do want to respond to the individual needs of different regions of the country, which is the reason, obviously, we are holding this hearing. The problem we come down to though and the question that is raised, and I have to say that the Senate bill does touch on the matching aspect. And I am troubled by the matching aspect. I have to say that. The thing that troubles me is that we have some States in this country that are pretty well off. And we have some communities pretty well off. And it seems to me once you start down that road to matching, that in effect what you are saying is that the rich get richer and the poor get poorer. The question then is: How do you deal with that? I agree with you, we want to encourage that local involvement, but at the same time we do not want to exclude people because they simply do not have the ability.

Mr. HAWKINS. You raise a very good point and our council has addressed that. And it is a weighted point average. And you will see in that system you have to be very sensitive because some communities based on the population, we have one little tiny community with five businesses in it that needed a sewerage system. Only five. I mean, they could not charge themselves enough to build the system. And how many matching funds could they come up with. Minimal. And the board moved to handle that plan. There is a judgment process in there of understanding what the population base is in the community, the ability for them to pay or not to pay, and that comes in that judgmental part. And this council, I am so impressed with their ability to make that judgment. It is tough. It is very tough. And so I would submit that we at the State level and working with the counties and the communities can handle and knock that out. And it has worked because of the judgmental part of the, let us say 100 points, that 20 percent of it would on a judgmental part.

Mr. ENGLISH. Well, let me then shift gears a little bit to another direction. In this judgmental process that you all go through, do you make the judgment as to whether or not that community has an opportunity to grow in the future, or are we simply making this based on today; and, quite frankly, we do not give this a whole lot of thought as to what that community is going to look like 20 years from now, with or without this assistance.

Mr. HAWKINS. Today we look to the future. I cannot attest to what happened prior to Governor Andrus or people coming in. For

example, we have what we call imminent threat grants in the community development block grant program. Now, that is where a water system has gone out to—a community is out of water today. Have they had problems the last 4 years, or did it just crop up in the last month. And this advisory council has taken a very strong position. If you know you are having a water system problem, start assessing yourself, and you start building up those reserves to address that problem. And we have had communities all of a sudden out goes the water system, and the imminent threat grant can come in and take care of that. And then it is your responsibility, and it must be proved that you can handle the maintenance of this system in perpetuity. You can handle the replacement of cost and equipment. It is a businesslike approach.

Mr. ENGLISH. But are you looking at that community and saying, if in fact we put in that water system or sewer system, or if we provide money for expansion of this particular business and the jobs it is going to create, that this action, combination of actions, that we take with regard to that community, we feel pretty confident that is going to put that community in a position to grow, or do you simply do that on a basis, well, we think maybe. They need it and therefore we provide it. Without really any anticipation as to whether this in fact is going to be a community that has a future. See the thing I am troubled by is that we have very limited resources. And the question that seems you get into is so much of what we have done in the past. We have put out money over here for a sewer system. We put out some money over here for a water system. And we put out some money over here for this and that. And it does not really do the job for that community. I mean, it is something that may be helpful, but it just does not—I am wondering if we should not go in and look at this and you basically look at the community in total. And you are saying, OK, now, here is what—we have a chance with this community. The mayor's community down here, he is going to have a chance for this business to expand. I think you are absolutely right. We need—that should be—the first consideration should be have you got businesses there that you can expand to help grow. And I think your next best shot quite frankly is homegrown stuff. Quite frankly, there are not enough General Motors plants. And we are not going to put one in every rural town in the country. And that is basically what most rural towns are looking for. They are looking for General Motors to come and put a plant outside of town so it can grow. Or something similar to that. I think you are right in your deal. But the question I am wondering is if we go to the mayor's town down here, and the mayor says, OK, we need a new water system, we need a new sewer system, we need highways, we need this, we need that. Well, if you have something that he can bring in there and he is going to have the jobs and give him a chance to grow, give him a real good shot at, why not do the whole complete job. And look at it in total as opposed to this kind of piecemealing out, and scatter a little here and scatter a little there, and hope something works someplace. Does that make sense?

Mr. HAWKINS. It makes a lot of sense, Congressman, and Bill Whittom has been one of them to testify to that. You just described one of his programs in his community when the expansion of a

potato processing plant there, and how by virtue of their expansion can the sewer handle the refuse that came out. We can cite that right down the line, and Bill has done a magnificent job in presenting what his whole community program is. And I can name a couple others that are right here that also bring in the business people along with them to testify saying, yes, committee—this is not Jim Hawkin's decision incidentally, Mr. Congressman—this is advisory council. And they present from the community aspect of their long term. And I think I get into long-term strategic planning is what their council is asking for. It is not called a Band-Aid, but let us fix the entire patient. And let us get the right medication so they have a long-term life.

Mr. ENGLISH. So you would agree then, basically what we have—and we are going to be facing—and mayor I want to ask you the same question, are communities that quite frankly we are not going to be able to help because they will not help themselves. They will not do the strategic planning, they will not really try to do anything about the future, they really have not developed anything locally that gives us reason to think that they have a chance, would you agree with that Mr. Hawkins?

Mr. HAWKINS. I think that will happen. I was in the business world 26 years. Some made it and some did not.

Mr. ENGLISH. Basically, the thing it comes down to is I am troubled, I do not want to see us get into the situation where we have, quite candidly, some government officials determining this town lives, this town dies. It seems to me that it is very important for that decision to be made by the people locally.

Mr. HAWKINS. Correct.

Mr. ENGLISH. So the people themselves have to determine, we are going to survive and put together the plan, here is how we are going to do it.

Mr. HAWKINS. Yes, and that is a good point. We are finding, and through our Gem communities program where counties come together. It may not be just a single community, but the counties themselves and communities within a marketing area come together. So you will have the county with the community saying, here is the plan. Here is what we are going to address in economic development, because it just does not make sense for the single five communities to come together as one unit, as a marketing and sales area, to address economic development. And I do not feel that myself as a government official should make that decision. That we have on this council six business people through the State of Idaho, in the six regions, who are on that council who will review this process and make the recommendation.

Mr. ENGLISH. Who appoints those people?

Mr. HAWKINS. The Governor appoints them.

Mr. ENGLISH. The Governor appoints them.

Mr. HAWKINS. And I will tell you it is a very independent group. In the almost 3 years I have been there, Mr. Congressman, the Governor has taken every single recommendation.

Mr. ENGLISH. Mayor, I wanted to ask you—first of all, I want to point out, the Dairy Buyout Program, we had to do it to save money. The cost of the program and such, and that is another difficulty that we found ourselves in. For instance, this year we have to

come up with $600 million in additional cuts. And it seems like, and I would expect, in the future, as far as the Agriculture Committee is concerned and the Department of Agriculture, that is unfortunately the difficulty we are also faced with is as we are hunting for money to put into programs like rural development.

We also each year have to cut so much, and that was one of the dairy programs and it was total savings. So unfortunately, we do not have any money to transfer. That went into meeting our requirements under the budget law. The information thing that you mentioned, I think it is a good one. I think it is very good. And that is one that I have a great deal of interest in. We have a little community in my district. I will give you a little Oklahoma stuff here. You have been giving me all that Idaho stuff. We got a little town out in Oklahoma, 500 people. And they are a real community and they decided they were going to do something. They were going to try to provide themselves a future. And they had, they put together bake sales, garage sales, and did all kinds of things to raise money for their community to try to figure out what they could do to develop it. And they are working at it real hard. They are putting out that kind of effort.

But when you come right down to it, there is no place that that community can go, they can go to the State, but they cannot really go beyond the State to find out where else in the country, what other ideas are being used. How do we pull all this information together that—something that works in Idaho—how does that information get to a town of 500 people in Oklahoma, or some place from Iowa get to Idaho or Mississippi, or wherever it may be. So I am wondering if there is not real merit in putting together something along the lines that the mayor is talking about where you basically have deposited in one place for the State of Idaho, and local communities all these ideas that different communities have utilized throughout the country that they have found work. And maybe we can get away from some of this spinning the wheels and trying to reinvent the wheel. And people coming up with a lot of things that may not have worked.

Learn from other peoples experience in other words. The other thing is whether we do not need some kind of assistance for the rural communities in making sure they know what kind of Government programs are available and they have assistance and support in trying to deal with it. We have been looking, quite frankly, at the extension services. There is something—an additional role that perhaps the extension service could take on and that we should look at. I do not know, Mr. Mayor, but I think you are right. That is what we desperately need to do to put the rural communities on an equal footing so that they do have a chance for that kind of information. Maybe it is a role a state should have, I do not know. But there seems to be a gap there, a problem there that is really a handicap for rural communities. And so we will be working on that, Mr. Mayor, and I appreciated your testimony.

Mr. STALLINGS. Mr. Chairman, I just want to say that I think that all these witnesses have done a fine job this morning and given us some outstanding testimony. Good ideas, as we have picked up good ideas in each and every region that we have gone to. I guess that we have done over 100 witnesses now, and you

would think all the ideas would already be thrown in, but we keep coming up with different things in different regions. We appreciate your testimony and the contribution you have made.

Mr. WHITTOM. I just wanted to make a comment to the Congressman about—you said, throwing these dollars out then will they survive. Probably Mr. Hawkins and his team has made us more accountable than any time since I have been in city government. And that dates back to 1969.

Mr. ENGLISH. I think that is right. The question though that I have is not so much the accountability issue. The real question I have is: Are we making an investment in a community that really has a chance? I do not mind—risk taking is what this is all about. I mean, if it was 100 percent dual-plated doable, you would have some other investment. It is a risky deal on rural communities, and that is part of the problem that we have in getting investment money into these communities. But by the same token there has to be some judgment saying, well these folks are out fighting. They are trying to do something. This group is not. They are sitting there waiting for somebody to do it for them. I do not think we can do much for people who are just going to sit on their rear end and expect someone to do something for them quite candidly.

Mr. WHITTOM. I can give you an example for our community. When all the high-tech things were coming to Boise and Silicone Valley and everywhere, well, I am up getting Jim and saying, how can we get something in our area. Glens Ferry got something in that magnitude. If Glens Ferry did, why can't we. I spent months spinning my wheels. And Jim said, why don't you look at the things that are there. The potatoes and the milk and the different things that are there. And we started looking at that, and we have now just received another 520 acres of land from the Federal Government on a long-term proposal to use it to put the affluent on so that we are going out of the river as mandated by the Cleanwater Act so we have the rivers swimmable and fishable and everything in the 1980's. We have done that in our community.

And we are taking industry—potato processing plants and things like that, and putting in milk processing plants, and putting the affluent out in the dessert, out in settling ponds and the sprinkling on the land for irrigation. That is the direction that we have headed. We do not have one of those high-tech plants at all. I think about the most technical thing we have is a watch repair shop in our town. But we are getting us agriculture and really working, because that brings more jobs, more money. We got the highway, we got everything, the freeway.

Mr. ENGLISH. Well, I think what you are really talking about, you use what you got. I mean, I think the biggest future we have in creating jobs quite candidly is probably cottage industries, small industries. You have some guy locally who has a great idea. And he may not be able to get the kind of financing he needs. He may not have the business expertise. And I am wondering if we cannot put that kind of thing together where we can give him that kind of support and that kind of assistance and that kind of infrastructure.

Also, I am concerned about the fact, we go in and we make a loan this year, and good-bye, you are on your own. I do not think we can do that. I think that we have to put together a system that

is constantly working throughout these rural communities so that you are always lending the support. I think that is something we have to be conscious of.

It cannot be a one shot deal, a one-time deal, a one project deal and that is the end of it, we wash our hands. I think it has to be more than that. And I guess it gets down to, I used to have at least—well, we lost a lot of banks down in my part of the country so we do not have many left. But we used to have the smalltown banker. And the smalltown banker, he would make loans on character. He would know the guy. Well, this guy is a good farmer, he works hard. And he would make loans on that. And we had a lot of successful bankers. And, mayor, I think the same thing is true for rural communities. We are going to have to make some judgments with regard to character. We know that town, know the kind of people they are, know what they are trying to do, and we have faith in them, and we believe in them. It sounds like one of those we would take a chance with. It sounds like you got good character in your town.

Mr. STALLINGS. Gentlemen, thank you very much for your testimony. It was excellent. Dick, did you have a final comment?

Mr. RUSH. Just very briefly. We have all talked about the need for strategic plans, and I have talked to an employee of our department just before I left. He is a State veterinarian, but he is also the mayor in a community of less than 1,000 people part time. And I talked about my testimony of strategic plans, like we are all talking about, and he said, get more information to me. Give me some help in developing that strategic plan. For instance, Mayor Bell Whittom has three full-time jobs besides being mayor. The infrastructure there is such that if they can have some help in developing that, maybe we can reverse this thing, and the rich are getting richer, as you say, and the poor are getting poorer. I am really glad you are considering that, because that is happening in Idaho even with the efforts that we are putting into it. It is also happening elsewhere.

Mr. STALLINGS. Mr. Chairman, before we call the other witnesses up, I again want to remind everybody to please try to hold it to 5 minutes. We have on the next panel Dr. Neil Meyer, an extension specialist from the University of Idaho; Dr. Ron Millick, director of development, Idaho State University, Pocatello; Dr. Robert Rath, executive director of Northwest Regional Educational Laboratory; Dr. Donna Bellorado, Far West Laboratory for education, research, and development in San Francisco; and Ron Hall, State director of Idaho Small Business Development Center.

Mr. ENGLISH. Dr. Meyer, why don't you lead us off here today, if you would.

STATEMENT OF NEIL MEYER, EXTENSION PROFESSOR, RURAL DEVELOPMENT, COOPERATIVE EXTENSION SERVICE, UNIVERSITY OF IDAHO

Mr. MEYER. Well, first of all, welcome again to Idaho. I bring greetings from Dean Braner from the college of agriculture. I would like to talk a little bit about what we are doing in rural development, and realize that within an extension service and the

college of agriculture, we also have research. Within the extension service, we work with youth, with home economists, with production agriculture, as well as rural development.

Mr. STALLINGS. Before you get started, if I could, as was pointed out 1 minute ago. Without objection, all written testimony will be made part of the record. So no one worry about their fine words being put into the record. They will be there. So feel free to summarize and kind of hit the high points. We will move right along, because I have questions, quite frankly, and I hate to cut into your time. There are a lot of witnesses here, and we have a lot of questions. I hope you will be able to provide us answers.

Mr. MEYER. Well, I have a few comments. I will try to be brief. We have 42 county offices for the extension service. That means that there are representatives in 42 counties. There are 44 counties in the State. In rural development we have a total of two full-time people. I am halftime, another person is halftime. We have one full-time person in research. So please realize that every time I am working with the county agent or home economist, I am basically twisting their arm and stealing from some other program. We are not highly funded. Within our program area, we work in impact analysis, retail trade studies, fiscal impact analysis, rural business development, and rural leadership. Let me give you a couple of examples.

An impact analysis, two things which we have done recently, one is looking at the impact on Elmore County of the expansion of the Mountain Home Air Base. Namely, about 2,000 people are going to be added with 50 more airplanes. This change is basically going to add about $39 million military payroll, another $2 million civilian payroll to the impact area. Additionally, there is a construction impact of $14 million in 1 year, $18 million in another. Why is that important?

What we have been able to do with the analysis is basically point out what the totals will be. We are estimating about $58 million annually, plus the construction. A lot of that is going to go to things like rental housing, retail trade, eating and drinking establishments, demand for education, things like that. But one of the things that we provide is an analysis of trying to figure out what is the impact going to be on which sector.

Another example of what we are doing is, a study just completed in Orofino which is Clearwater County. The study relates to what is the importance of the hospital and medical system care to that county. What did we come up with. Basically about half of the revenue that that hospital takes in goes out of the county. They do not have firms in Clearwater County or even northern Idaho to supply their needed inputs. But the personnel, the nurses, the hospital, the cooks, the doctors, and other employees almost half the hospital's expenditure. A major share of the local expenditure receive, stays in the local county. The other conclusion we came up with from that analysis was that for every dollar taken in, they could afford to subsidize up to 23 cents and still break even as a county. Why? Because it is important to keep medical services in the county for quality of life reasons.

And based on your comment, sir, I would like to add one of the problems we have in rural areas is that hospitals are penalized for

being low cost. We have a two-tier payment system. So if you are in a lower cost area, you get a lower payment for the same service. It makes it very hard to survive when you have a 20- or 30-percent occupancy rate and you are competing with hospitals with 80 and 90 percent, or sometimes even higher occupancy rates.

Rural transition. We have talked a lot about jobs. Most of the jobs in this country, the new jobs, are created by small firms. A lot of them are created by guys or gals that have an idea and turn it into a business. It is not the big corporations that are creating the jobs. They may transfer them around the country, but they are not creating the jobs. When we look at the local communities and these rural trade analysis we are trying to help local communities. I mean, what has happened to community retail sales? Based on your income, your population, are you getting your share? Are you losing it to neighboring counties? If you are losing it to neighboring counties, why? Are they selling something you are not? Are they better businessmen? Those are the kinds or at least the information we think citizens in a local community need to redesign your business sector.

Another area is fiscal analysis. This relates to what is happening to the tax base. I think any county official, State official or any city official that deals with tax base and revenue. If you are growing, you generally have the possibility of more revenue, but you have more service demands. If you are not growing, you have less revenue, the same service demands, and you get the choice of raising taxes or cutting services. None of them are very pleasant to any of us. Fiscal analysis is aimed at identifying what is happening and identifying division choices.

Another area that we are working in is what I would call rural business. And this is a sub-sector of the Gem cities, program of the Idaho Department of Commerce. The Small Business Administration, a number of other people are also working in that area. The role that the cooperative extension service is trying to fulfill, and we have done I think 35 or 36 workshops on home based business. Now, the role that we are trying to play, and this is done by both home economists and ag agents, is that of helping people sort personal and business goals. To answer such questions as do I want to do a home-based business? Is it consistent with your family goals which is necessary to make it run. If they answer yes to the above questions, then we come back and help develop business plans. Is the student going to do a hobby that covers its costs? Is he/she going to do a business to make money? The goal being jobs and income for people in the rural area. Extension's role has been helping people sort through that. Ron Hall and the people in the small business development centers do not have the personnel to help every person that thinks they might want to go into business. We think we can help people sort that out, develop, and when they get to the point where they need highly sophisticated help, then we send them to the various small business development centers around the State.

Another example of rural business is agricultural workshops. There have been some done by the College of Southern Idaho in the southern part of the State. We have done some in the northern part. What we are doing there is identifying ideas, identifying man-

agement practices, identifying marketing techniques. Helping people to identify a market niche. Help them decide if they want to do a retail or to do a wholesale. Individuals have to sort out their goals if they are going to make money at these ideas.

A third area came up earlier. It is a program through our county production agents. We call it FinPack. It is a financial management package for agricultural producers. It is a recordkeeping system that helps people analyze so they can know how much a pound of grain, or a bushel of wheat, or a hundredweight of potatoes cost them. Then they can go ahead and figure how to market it. I think it is a very necessary part of managing agricultural production. We have not expanded this program into other small businesses at this point.

Another area is family community leadership. This is a program done by CES in cooperation with the Idaho Homemakers Council. It is aimed at training people, both male and female, by giving them experience in leadership, in group processes, in identifying their goals, the community's goals, and then going ahead and implementing the planned ideas. It is educating people to take control of their own destiny.

Obviously, I tried to make the case here that we are very limited on resources. We try and cooperate with the various other agencies. But we do not have a lot of resources in this State, and there is no way that we can comply with all the demands. We try to operate on a first come first served basis, but we have limited budgets also. There is a proposal into the State of Idaho that basically I do not think we need to go into at this point. But I would like to reemphasize, we are an educational institution. I am talking about cooperative extension. But we are noncredit, and work off campus, helping people get a handle on identifying their opportunities and influencing their own destiny.

Thank you.

[The prepared statement of Mr. Meyer appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much.

Dr. Millick.

STATEMENT OF RONALD E. MILLICK, ACTING ECONOMIC DEVELOPMENT OFFICER, IDAHO STATE UNIVERSITY

Mr. MILLICK. Thank you Congressman English. I too would like to welcome you to the State of Idaho. On behalf of Dr. Bow, the president of Idaho State University. He expresses his thanks for your taking the time to come here as well.

Idaho State University is located in Pocatello, Idaho, just a few miles down the road here. We are a regional institution with primary service area of 24 counties covering approximately 40,000 square miles in southern and eastern Idaho. According to the General Accounting office definition and the U.S. census data, all but four of those counties are classified as rural. The size of our service area alone represents some very interesting problems in the delivery of economic development programs.

ISU is currently the home for the center for rural economic development. The center is sponsored by a 3-year, $300,000 grant

from the Northwest Area Foundation and based in Minneapolis, Minnesota. The program was funded to study rural development issues in three distinctly separate rural communities within the ISU service area. The communities involved are Buhl in south central Idaho with an economy based on agriculture and food processing; Lava Hot Springs in eastern Idaho whose economy is primarily tourism; three small communities in eastern Idaho to make up the Teton Valley: Driggs, Victor, and Tetonia. Whose economies are based on agriculture, tourism, and natural resources. I might mention that all three of these communities are also participating in the Gem communities program sponsored by the State.

The philosophy behind the center is that before economic development can take place in rural Idaho, the community leaders must have the tools in hand to identify strengths and weaknesses, set a direction supported by the majority of the community, and seek the resources necessary to achieve their goals and obligations. Therefore, ISU has assumed the role of facilitator in the community development process and has focused on the leadership of the community throughout the first year of the program. The second and third years will focus on developing specific economic development agenda and implementation of their plans.

Although each community has unique situations with which they deal, I would like to focus on some of the areas of common interest and concern that surfaced in the first year of the project.

First, the limited pool of local leadership is somewhat untrained in dealing with community development situations. Second, leadership has difficulty in identifying resources available through programs sponsored by both the State and Federal Governments.

Third, the volunteer pool is stretched too thin. An ongoing development effort requires a full- or part-time individual to be the coordinator.

Fourth, limited financial resources for personnel and capital improvement projects really hinder the communities that we are dealing with.

Fifth, the lack of resources to effectively accumulate and analyze data pertaining to their community hinders the decisions that are made which are directly related to their development ideas.

Sixth and perhaps the most important thing that we found is that community leaders want to set their own direction.

As an institution of higher education, we view ourselves as a resource with the expertise to deal with many of the above concerns. Specifically, leadership development programs have been very well received with sessions dealing with local attitudes and conflict resolution. Also, the ability to assist the community in developing instruments for the collection and analysis of data about the community has also been an important resource. We have also worked very closely with regional planning agencies, and in the case of Buhl, the College of Southern Idaho, to identify and tap existing resources to assist in the development process once a direction has been set.

As with practically any rural community, each of the demonstration sites have very limited financial resources. In addition, the university may not have the resources to continue this program after the grant funds expire in 2 years. The question comes down

to the delivery of the resources to the rural communities in an effective manner. Ongoing supportive programs such as the Community Development Block Grants, EDA Planning Grants, Public Works Grants, SBA programs, Small Business Development Centers, and other financing and assistance programs aimed at rural communities is a must. New and effective means of delivery of services should also continue to be explored. Private foundations, such as the Northwest Area Foundation, have been very supportive of innovative programs focused on rural development in partnership with higher education. Currently, besides our project at ISU, the Northwest Area Foundation has similar programs at Iowa State and Washington State Universities.

I might also mention that we have just learned they also have rural health projects currently underway in the States of Oregon, Washington, Idaho, and Montana. However, many of these grassroot programs are either scaled back or limited due to lack of funding source once the grant funds expire. In some cases a 3-year demonstration project is not long enough to establish the foundation for State and institutional funding. Therefore, my recommendation to this committee is to provide for ongoing support for successful new programs in rural development by funding higher education—by funding Federal matching grant opportunities available to institutions of higher education from programs initiated with private foundation funds. This would create a private/government partnership in identifying innovative programs worthy of ongoing funding. The risk of the startup of such programs would continue to be carried by the foundations as it currently is, and they could be involved in the process in identifying projects deserving of Federal support.

In our minds, the answer to the rural economic development challenge is certainly not to throw money at communities. Rather, to give them a strong, effective delivery system. Higher education can and should play a strong role as a partner in this process.

I would like to thank you on behalf of ISU for the opportunity of testifying today.

[The prepared statement of Mr. Millick appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Dr. Millick. I appreciate your comments.

Dr. Rath.

STATEMENT OF ROBERT R. RATH, EXECUTIVE DIRECTOR, NORTHWEST REGIONAL EDUCATIONAL LABORATORY

Mr. RATH. Thank you, Mr. Chairman. I am Bob Rath, director of the Northwest Regional Educational Laboratory with headquarters located in Portland, Oregon. Idaho is a very active part of our laboratory, and the board of directors has six people from Idaho on that board. It's headed by Barney Parker from Boise, who serves as chairman of the board, and an active participant is State superintendent Jerry Evans. I want to thank you for the opportunity of sharing some thoughts about education as a major component of rural development.

The link between education and economic self-sufficiency has long been established in this Nation. Let me talk from an individual point of view. The quality education means greater potential economic opportunity. For a rural young adult, that economic rural opportunity may not be in the hometown of Blackfoot or Shelly or Maltex in my case. It is most likely in Boise or Portland or Seattle. Thus, a rural community's greatest export is well trained and motivated young people.

But look at it from a corporation point of view. Corporations are seeking locations where the quality of life is high, and the labor market, resources, and infrastructure are available to support a venture. Rural communities have both the quality of life and the human talent. The missing key is the infrastructure. Not just roads and water and waste disposal, but a competitive education system. The two most valued criteria used by business in site selection are the quality of the schools and the health care system. Quality schools are vital to attract and retain local employment opportunities.

So the question is not what is the role of education in rural development, but rather how the quality of education can be optimized to promote rural development?

Rural communities are not a homogeneous class. Rural communities include examples of the best and the worst. For example, look at these data about the chronic distress in some Idaho communities.

In Idaho, 10 of the State's 76 small rural school districts rank in the bottom quartile on at least two of three poverty indicators. These 10 poor school districts enroll nearly 5,000 students.

At the northwest lab our rural education program has been working with very small, rural, distressed schools to strengthen the bond between school personnel and the community. We help the school and community focus on both the positive attributes of this area and their school, but also those things that need improvement. What we see being accomplished is a combination of pride and unity. With pride and unity, rural communities can achieve a common vision.

Schools can and want to play a vital role in rural development. What is needed are cooperative relationships among agencies, not just at the State and Federal level, but also at the local level. For example, how can education, health, social service, economic development, and private industry work together to provide leadership in rural development.

We want to assist in developing local leadership capacity. We have done this in the past year with work through selected educational institutions such as Idaho State University and the University of Idaho. Working with them we have assisted 14 small, rural Idaho schools to accomplish their initial goals for improving student performance. And I have provided a list of those 14 schools.

We are now looking for the next phase for mixing rural economic development agencies with a pilot for joint school/community improvement.

This local empowerment for rural leadership is coupled with proposed efforts at the State level for similar coordination and cooperation and collaboration. Education has also long recognized the

need for a communication infrastructure as mentioned here before. Let me give you some examples of the need for use. This comes from a recent survey in Idaho. Currently about 12% of the school districts are using computer communications for administrative purposes. Most of the districts in Idaho say they would need and like to use such computer communications. Staff development, the way you improve teacher's capabilities, is used by 11 percent of the districts; 93 percent of the districts indicate they would like to have that available for use. Student instruction by computers is used in about 12 percent of the districts. Districts indicate the need for science courses, math courses, social science, and foreign language instruction by telecommunications.

Thus, we propose a rural development initiative which would require interagency cooperative efforts at the State and local levels to develop rural communities, not through capital infusion per se, but rather through local capacity building and leadership development in the social institutions of the rural communities. At one time the rural community, mostly agriculture, was the well spring of pride and innovation. We need to bring that attitude back into the hearts and minds of people who live in rural areas. Without developing the local capacity and leadership, no amount of external resources will solve the problems of rural communities.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rath appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Dr. Rath. Thank you for your comments.

Dr. Bellorado.

STATEMENT OF DONNA BELLORADO, DIRECTOR, RESOURCE DEVELOPMENT AND COMMUNICATION, FAR WEST LABORATORY FOR EDUCATIONAL RESEARCH AND DEVELOPMENT

Ms. BELLORADO. Good morning. I am Donna Bellorado, and I am the director of resource development and communication for Far West Laboratory, based in San Francisco. My written testimony is a lot longer than the one I will speak.

There are nine Federal, regional laboratories serving the Nation, and two of which are represented here today. We can pilot a programmatic idea before large, public expenditures are made on an untested program.

Our region, the Far West Laboratory region contains some of the Nations most populous and sprawling urban areas, but we also have remote and magnificent expanses of mountains, deserts, and prairies.

These sparsely populated regions are home to some of the smallest most isolated school districts in the country. Some with only one school.

Far West Laboratory is actively working with these rural schools to help them find ways to expand and efficiently use their resources.

Communities have little chance of growth if their schools are either not graduating individuals who, for the lack of skills, cannot

contribute to the economy of the community, or who must move elsewhere to make a decent living.

We believe, not only from studying the issue nationally, but from our own rather dramatic experience in our region, that a key to maintaining and improving the quality of rural schools is educational technology.

One form of educational technology is distance learning. That is bringing geographically separated students and teachers together for live, two-way instruction.

A type of distance learning is audiographics. The combined use of voice transmission, computer networking, and telefax transfer of materials. Audiographics is at the moment the most feasible option for rural schools, because it is the least costly and the simplest to operate. Districts do not need to import instructional programs, but can use their own teachers and curriculum to teach students at more than one school. The district also maintains control over scheduling.

I want to take you now a bit south of here to Utah. Specifically, to the vast and remote Great Basin region in the northwestern part of the State. Here, Tintic school district had a problem at remote West Desert High School. West Desert High is in Trout Creek, a cattle ranching community not far from the Nevada border that only 3 years ago got its very first telephone. The school has just 20 students in grades 9 to 12, and one lone teacher. Some subjects simply could not be offered, meaning that some students did not complete the State's high school curriculum.

In a different place, the solution might be busing students to another school. But from West Desert, the drive to the district's other high school in Eureka is 4 hours away. And for much of the year, as you know, road conditions require the use of four-wheel-drive vehicles.

Fred Openshaw, sitting in Eureka, suspected that distance learning might help solve his problems. But he needed assistance. So he called Far West Laboratory and said, help me get my curriculum from here to there. What happened after that is a story that illustrates how laboratories can direct Federal money in ways that extend your investment in us many times over.

First we called the Utah State Office of Education, and we described the problem, and told them we had some training money. Together, we designed and planned a program and selected the audiographics technology.

Along the way, three other Great Basin school districts joined us, making our project area huge; in fact, three times the size of Massachusetts. Together, we secured $36,000 in Utah State education money, and pooled it with district funds and Far West Laboratory funds.

Like Tintic, these other three districts did not have enough resources to provide a full high school program. In Box Elder District, two communities sent away students from grades 11 and 12 to board in the city.

Audiographics may now open the possibility that these students can stay and finish high school.

Students at West Desert High School are now learning advanced math and English as well as technical drawing from teachers in

their counterpart school in Eureka some 90 rugged miles away. A French teacher at Millard High School in the town of Fillmore also instructs students at Delta High School 35 miles away.

Over telephone "talk boxes," students hear the teacher and are able to ask or answer questions. On 19-inch, high quality video monitors, they can watch the teacher draw diagrams or illustrations. Using their own drawing pads and keyboards, they can send pictures back. The teacher can also provide slides. By striking a few keys on the computer, he or she can even call up those slides in fast enough sequence to create motion.

For Sara, a student at Grouse Creek School, this means a chance to take biology just as she would at her age in a city school. Sara is the only 15-year old among the 21 students at Grouse Creek's aging stone school house. She spends 5 hours a week getting individual biology lessons from Ron Cefalo, who sits with us today, at distant Box Elder High. In full color, Sara can see how the jaw parts of a grasshopper move, or watch a spider spinning its web in disney-like animation. Her tests and handouts come and go on the fax machine.

Is the Great Basin distance learning project a success, you might ask the project director, Robert Grimms, who also sits with us this morning. But we found by students learning with audiographics do as well, or better, than their counterparts in the traditional instructional situation. Audiographics have been concluded—we have concluded it is a godsend to remoteness. The Great Basin region of Utah has become a model that all remote areas can use to help maintain and improve their rural schools.

In my written testimony, I included the outline of an idea for doing other innovative programs like this one. This is an idea you might want to consider in your rural development bill, and we would be pleased to provide more detail if you are interested, and it is indeed a pleasure to be before an agricultural committee as an educator, and before a Congressman, who is a 20-year veteran teacher. Thank you.

[The prepared statement of Ms. Bellorado appears at the conclusin of the hearing.]

Mr. STALLINGS. Thank you, Dr. Bellorado.

Mr. Hall.

STATEMENT OF RONALD R. HALL, STATE DIRECTOR, IDAHO SMALL BUSINESS DEVELOPMENT CENTER

Mr. HALL. Good morning, Congressman Stallings, staff. I appear before you today as the State director of the Small Business Development Center for Idaho. My first-hand experience with rural development has provided me, as I think others have indicated, with interesting, challenging, frustrating, but I think always rewarding experiences. Using SBA guidelines, over 96 percent of our 46,000 businesses in Idaho are small businesses. Over 70 percent are those located in nonurban areas. With five offices strategically located across the State, our small cadre of professional business consultants in the small business development center working through university, college, and EDA districts, provide services to over 700 small businesses annually; and offered over 150 seminars and con-

ferences directed at issues of interest to small businesses attended by well over 2,300 entrepreneurs.

Our State's small businesses are continually challenged by the difficult environment in which they must work. I will pass quickly over the problems I have spoken of before concerning tax bases, health care facilities, social programs—all of those issues that impact on the ability of small businesses to operate effectively in Idaho. Specifically, however, I would like to pause and point out the difficult decisions that our small businesses have in the area of financial access to capital. I think that the financial access is very difficult for start ups and for expansions, but it is constantly unreliable, even for existing businesses.

While there are problems in our State, I think all is not grim, nor is all lost. Our citizens are innovative, determined, proud people who have high work and social ethics with a "can do" attitude. We are seeing invigorating, productive results from public/private partnerships that are yielding positive results for our citizens, for our communities, and for the partnership players. The times of single solution players or single solution programs have passed. I believe that we are now in the age of partnerships of networks of consortiums of leveraging and of open door public planning and management that offer opportunity for all participants and beneficiaries in our State to be true winners.

We would urge your committee in its deliberations to recognize the progress currently being made by the rural development advocates and organizations, and to ensure that needed new resources and legislation are structured to encourage continuation of these partnerships and networks. It is clear to me that our limited human and monetary assets can best be leveraged by utilizing existing resources and delivery systems. We have in Idaho, for example, a very productive team of agricultural extension agents and home economists. We have an effective—a network of EDA districts across the State that are working daily with State and local government officials in economic development. We have productive and effective programs and operations such as certified development companies, regional revolving loan funds, and guaranteed programs for small businesses through SBA, EDA, and Farmers Home Administration.

We have many other programs, I believe, that can be pointed out that are working for economic development, such as private industry councils, who are working daily to improve employment opportunities and worker productivity in our rural areas. We have already heard of the innovative and productive programs in our State department of commerce and State department of agriculture. Our universities and colleges have made major strides in recent years to increase and focus their resources in applied research and service to business community economic development in rural areas throughout the State.

My experience is that all these groups have dedicated, and I believe for the most part qualified, but certainly proud, professional staff, and volunteers, and local elected officials, that what we lack most and so urgently need is additional fundings particularly funded to rural development. We need absence of complicated and nonproductive guidelines, rules, and regulations, and we need ab-

sence of Federal program managers and Administrators who do not understand their charge, and/or rural America. Lastly, I believe, but perhaps of foremost importance, existing rural development efforts could greatly enhance if any new legislation would include requirements tying together the availability of new financial assistance with the utilization of existing resources and networks.

We look forward to seeing in the future the development of the Rural Partnerships Act as proposed in S. 1036. I would like to point out to the committee two titles which I believe need specific attention. Title III and title IV of the bill would establish new programs, almost duplicative of the existing small business development centers and EDA district programs in our State. If implemented in the current language, these new programs would clearly erode our existing funding base, and establish yet another operation to serve the same constituency without there being value added. I think all is not negative, and I have added testimony—additions to my testimony for considerations in helping to alleviate these duplication problems.

In addition, we look forward to an expansion of the positive working relationships that we have with the extension service in our State, and we would encourage the U.S. Department of Agriculture to utilize existing local delivery systems in the successful manner currently being demonstrated by other Federal agencies, such as the National Institute of Standards and Technology, and the Department of Labor, and the U.S. Department of Commerce.

In closing, the Idaho Small Business Development Center, through the strong support of higher education institutions, State and local government, and regional planning and development agencies, has established a productive and efficient delivery system to aid small business development in our State. Through partnerships that work, we have been supportive of other organizations and offices, who in their charge are also working toward other areas of business, economic, and social development. As the urgently needed new rural development legislation is formulated and passed, the Idaho Small Business Development Center will also come to the front and put our shoulder to the wheel as it can best help.

Thank you.

[The prepared statement of Mr. Hall appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Mr. Hall. There is going to be a major concern of the Congress whether it is part of the rural development or whether it is just part of our concern about the education of our people. American education seems to be suffering right now from a variety of problems. One of which, of course, is the accessibility of competent teachers in a lot of these rural districts. Not that they are not available, it is just very difficult for some of these school districts to afford the kind of faculty that is really being demanded.

Let me just pose a couple of quick questions. Dr. Meyer, in your earlier testimony, you heard reference to the greater demands that might be placed on the extension agents around the State. In response to Mayor Whittom's comments about some kind of informa-

tion gathering service, the chairman asked about extension filling in some of those voids. Do you have any feelings toward that?

Mr. MEYER. Well, some of those roles we are already filling. The problem we have is that there are only so many hours in a day, and there are only so many people. As I pointed out earlier, those are roles that sometimes county agents play, or the home economist, or myself, or other people, but a lot of times it is if I am doing this type of work that I am not working on ag policy. I cannot do them both. There are only so many hours in a day. If that problem persists, I think the advantage we have is we have delivery in every county. The problem we have is we need more people to support the county faculty or to free up time from one activity to another. We have to choose priorities. So we either need basically more people, or we have to choose.

Mr. STALLINGS. I see. Thank you.

Another question that intrigues me. We talk a lot about education, how important it is. I have some criticism that higher education and better education will speed up the drain of talented people from rural Idaho and rural America. There is not a lot of need for a nuclear engineer in Bancroft, Idaho. But there would be in Idaho Falls; or Hanford, Washington; or some other place with that kind of industry. The same could be said about a number of skills. The better the education, the greater demand outside of this area. Would any of you care to comment on that? Are we getting into a self-defeating cycle with this notion?

Ms. BELLORADO. Maybe we should defer it to the teacher.

Mr. HALL. Congressman, I might try to make a response, because I think it is a system where we need lots of different assets to come together to make viable communities and viable employment opportunities and the supporting of the education system. Businesses will not come to our rural communities or to our rural areas and stay, nor can they, if they do not have an adequately trained labor pool, and a group of population that appreciates and is able to participate in the business. They will not stay there if those businesses are not able to continue to challenge their abilities and to challenge their skills. And so our businesses have to continue to grow and be more sophisticated.

But you can find areas in Idaho, for example, where in the past we have been totally agricultural based. Now we have very sophisticated screwing machine operations, building fasteners, and screws for the highest tech industries in this country, in very small communities that I think 10 years ago people would have said cannot happen. And people that run very skilled machines like that are a very well educated group of people. I think then if we apply the strong vocational education system we have in this State with our vocational schools capable of providing those skills, we start building that total environment for the business and for the people that live there.

Ms. BELLORADO. I also think that technology plays an important role. And that just as the world is becoming more interdependent, so are the rural and urban communities. And I think that many of the human resources in the rural communities can be dispatched to solve some of our national problems without having to move at all. Using technology we can communicate with one another very

easily. And the ambience and the lifestyle of the rural community is becoming more and more desirous of urban dwellers. If there is any threat at all, it might be people who use technology and moving to the rural area and creating a corridor that will make you look suburban sooner than you would like. I think that technology is going to solve that problem for us.

Mr. STALLINGS. I see that happening in a number of communities. Right now we are seeing a number of people move into the Blaine County area and Sun Valley with their local PC. With the hookups they can make, they can in fact be involved in worldwide operations from a very comfortable, beautiful home in Sun Valley. So it is happening. Just to go on with what you said, I remember a couple of years ago we made a real push to attract this super colliding—super conductor for Idaho. And we had the land and we had to operate it and build it considerably cheaper than other sites. And when Idaho did not make the short list, I called in some of the folks from the Department of Energy and asked for an accounting.

It seemed to me if you could build it cheaper and operate it cheaper, that ought to make pretty good sense. And they said, you are right. You make a good case. But they said, the major problem is that Idaho is not really committed to education. And they pointed out that in a State where only 30 percent of your graduating seniors go on to any post high school education, that they were not going to commit that many Federal dollars on an educational research program when the State was not that committed. I am not sure that they interpreted what was happening properly, but regardless, it cost us a multibillion dollar project. So I think you are right. I think the fact that we have to have competitive education with the other urban areas. And we can do it through the kinds of technology that you are suggesting. So I am very optimistic about this. And I think it is more than the previous.

As an educator in both high school and college, we saw a lot of fads come and go. Teaching machines, in which the child sat in front of a machine and pushed certain buttons and at the end of the program they were supposed to be educated. It did not work very well because they left out one very important ingredient. And that is the teacher. That other person sitting on the other end of the log giving them the kinds of information they need. So I am very excited about the kinds of educational things that are taking place, and the potential for the rural school districts. I think you are exactly right.

Mr. English, any comments?

Mr. ENGLISH. Just one. Dr. Meyer, with regard to the extension service, given the fact that extension services are scattered all over the country in every county and all, that it has some real potential there. The one thing that troubles me a little bit though in so far as our extension agents are concerned, many of them have had more of a traditional agricultural role and responsibility.

Now, if they are given a role with regard to rural development, is that, in fact, placing too much of a work load on the extension agent. How many of our extension agents are going to take a role, well, that is not really my job. I am a traditional agricultural person. That is what I am oriented toward. What kind of, in your opinion, can you give me your judgments as to what kind of re-

sponse do you think we would get from the extension people across the country if they had a major responsibility in rural development?

Mr. MEYER. Let me make a couple of comments. One, I think are examples where people have made that adaption. And I think if you want to look at specific cases, you can look at the State of Wisconsin. That I am familiar with because I went to graduate school in Wisconsin. In counties where business and other enterprises are more important than agriculture, the county agent is a resource development agent.

Mr. ENGLISH. But he is going to be though in the more traditional rural counties, and that is where the majority of them are.

Mr. MEYER. It depends. In northern Wisconsin, there are counties where timber products, mining, or tourism are more important economically than agriculture. These counties have resource development agents. Certainly we have counties here in Idaho, where someone who is proficient in timber management, timber processing, or tourism could be a real asset to extension education programs. Now, obviously to change the make up of county faculty takes time.

Mr. ENGLISH. Well, that is the thing that troubles me a little bit. I am not sure we have any time. We are not going to have many rural communities left if we waste much time. So the question it comes down to though, the problem I have, is this something in which we are going to have a struggle if we give them a major role. Will we have a struggle with a number of the extension agents trying to get them up to speed, wound up and cranked up and involved in this process, where you have to drag them kicking all the way. Or is it something for which we would find a very enthusiastic response from the extension agents and they are going to heave to very quickly and be up to speed?

Mr. MEYER. Let me try to answer that. Last year the Western Rural Development Center conducted a small business development workshop for a week in Salt Lake. We had 14 or 15 agents from the State of Idaho participate. That is over one-third of the counties. And you have to remember that the rural development program has just been reestablished in this State within the last 2 years really. So I would say that once people were enthused, they implemented home-based business workshops. They were conducted throughout eastern, central, and northern Idaho this last year, as a result of that workshop. So I think county faculty have gotten geared up, have priority changes, and conducted the educational programs. So in answer to your question, I think they wanted to do it, and they needed to focus. County faculty cannot do everything. That means that when they spend more time on one program they have to drop something else. They have to have support in doing that.

Another question that relates to this, and it is related to the other questions raised here, all of us struggle about the educational opportunities for our own family. I want my kids to compete in the rest of the world. So if we make a decision that we are not going to educate them so they will not leave, then we basically have relegated them to be a second-class citizen. The second point related this to that is, I would hypothesize the prosperity of California and Se-

attle and the various other places people migrate to are productive because of productive citizens that were educated in rural areas and exported to California, to Colorado, to Seattle, etc.

The Federal level is the only way that we can tax the revenue of those people and bring it back to repay those local communities that paid for their education and gave them the talents that let areas like California or Seattle be so productive. They basically get the people when they are educated. They do not have to pay for growing them or the education costs. I think you need to keep that in mind as you consider providing the infrastructure to continue educating people, but also to bring people back and provide employment that they want to come back to.

Mr. ENGLISH. Well, what do we do with those people, the extension people, that may not get with the program? How do you deal with those folks? Do we simply say, well, those counties are marked off, and any community that is unfortunate enough to be in a county like that does not get any help?

Mr. MEYER. Well, the first assumption that I will make is that most—I will say all county agents are fully employed. Therefore, you have a choice to either tell them not to do this and to do this, or bring in additional agents.

Mr. ENGLISH. I am not so worried about that, as I am the question of their attitude and whether they really have the enthusiasm, whether they want to do it. Whether they will be involved. Whether they will get engaged. Whether it is a situation that we have never done this, this is something new, and I do not want to do it. And I am going to go off and play my traditional role.

Mr. MEYER. Well, I will not argue that that case may exist, but I can also cite for you that Idaho within 1 year has shifted resources from agriculture production and home economics to rural development. The case is the home-based business development programs.

Mr. ENGLISH. But I am wondering, what do we do with that guy up there who takes that position? How do you get it—I mean here if we lay out a whole program, and the extension agent plays a critical role, he has a critical link in there, and I think I can pretty well assure you we are going to run it.

Mr. MEYER. Oh, I know we are.

Mr. ENGLISH. So then the question is: We had better know in advance unless we are willing to condemn those counties that have those kinds of agents? They just do not participate in this effort. And I do not think we want to do that. I certainly do not want to do that on any counties I have. How do we deal with those folks?

Mr. MEYER. Let me play mini manager so to speak. Assuming I am the dean. If I do not have additional resources and my form of funding comes such that it is now rural development rather than production agriculture, then you basically have the thing of telling people to get with the program or get out. If you got additional resources, then I would hire only those people that were willing to do the kind of things that I deemed. So we got two situations.

Mr. ENGLISH. Yes, but we cannot come out and duplicate the whole extension system where we basically hire on a new agent for every county in the United States.

Mr. MEYER. My role at this point has been to help or to train county faculty to be able to do the home-based business types of

things. The same thing with the retail trade studies or the fiscal analysis. The problem that I run into is, and I have another person working with me halftime, we cannot be in 44 counties or in 200 communities. We just do not have the time or the money. But mainly, we do not have the time. So we do not have the resources. So we have to choose. And I guess I want you to answer, if we are going to have to do it, then someone has to make administrative decisions that we are going to do rural development instead of production agriculture, or instead of 4-H or instead of home economics. Now, that is one alternative. The other is additional resources.

Basically, what I think is more reasonable, is a compromise. In other words, you are going to do a little bit less of this and a little more of that. It will be a whole lot easier with more resources. I have worked in marketing and farm management. When cattle are $1.10 a hundred, nobody is interested in management or marketing. Wait until they get down to 40 cents. Then we will see the interest.

Mr. ENGLISH. Of course, I guess the real question that we have come down to, if we do not have any rural development, are we going to need 4-H and home extension?

Mr. MEYER. I will not disagree with you at all.

Mr. ENGLISH. That may be where we are right now, the real question of whether there is any future. Whether there is going to be any community out there to hold those in. Whether there is going to be a county. You may not need any extension agent. Who knows. If you do not have any county, you do not have any communities, no people out there, you do not need the extension agent out there, do you?

Mr. MEYER. That is true.

Mr. ENGLISH. Maybe that is the way to put it to all the extension agents. This is job survival. You better get out there and turn it around or you are not going to have a county for you to have a job in.

Mr. MEYER. Thank you very much, Mr. Chairman.

Mr. STALLINGS. Thank you. Ladies and gentlemen. Thank you very much for your testimony. We appreciate your comments. Any additional information you would like us to consider, please feel free to have it included in the record. We do appreciate your insights. You have been very helpful.

The next panel. Moving right along, Mr. Chairman. Edie Tracy, Clayton Schmitt, and Ralph Wheeler. Mr. Chairman, we have on this panel some very capable individuals. First is Edie Tracy, who comes I guess wearing two hats, but one more prominent than the other. Edie is chairman of the Idaho Private Industry Council and also serves on the city council in Soda Springs, Idaho. She is a friend of many years, and has done a tremendous job in her community. She will be followed by Clayton Schmitt, who serves as the Idaho Rural Water Association, also from Soda Springs. You are well represented here. And finally on this panel, Ralph Wheeler, a Power County commissioner of many years. A tremendous public servant. Also obviously associated with the Idaho Association of Counties.

Edie, if you would like to start. We would appreciate it. Again if we could keep the testimonies within 5 minutes so we will have a little time afterward for some questions.

STATEMENT OF EDIE TRACY, CHAIRMAN, SOUTHEAST IDAHO PRIVATE INDUSTRY COUNCIL

Ms. TRACY. Mr. Chairman, Congressman English. I am chairman of the Southeast Idaho Private Industry Council, which administers employment and training funds available through the job training partnership in Bannock County; Bear Lake, Bingham, Caribou, Franklin, Oneida, and Power Counties.

The Private Industry Council is charged with the task of planning and implementing employment and training programs to meet the needs of present and future local economic conditions. To link with economic development efforts to create an environment that will attract new businesses and sustain or expand existing businesses, which will create opportunities for our youth and adults.

There are pockets of economic growth and development in the State of Idaho and the Northwest. These are largely centered around urban areas. There are also an overwhelming number of smaller rural communities that are not part of any economic or community development.

Even if we provide the training it needed to survive in the high-tech environment, employment opportunities will force our young people to leave the farm or other rural communities and move to the urban areas for survival.

At a recent Vocational Education Conference, several speakers commented that businesses were able to change their focus in a number of months. Educational institutions took numbers of years to change curricula. Education and training programs currently operate on a "respond" basis. That is, they respond to changes in the demand for labor by implementing new programs. This is no longer appropriate or effective. Our education and training institutions must begin to anticipate changes in the workplace caused by changes in the workforce, and be prepared to implement new programs immediately.

The Bureau of Labor Statistics says to me that by the year 2000, 21 million new jobs will be created, mostly in the service sector. The majority of these jobs will require higher levels than ever of mathematics, language, and reasoning abilities. Most of the new workers will lack the basic skills essential for this employment.

The future of our rural areas is our youth. If a rural area is unable to provide an environment which they can support themselves and their families, the rural areas will have no future.

It is essential for us to continue our efforts to revitalize businesses, to create an environment which encourages existing businesses to expand, and to provide funding for economic development projects, and for vocational training programs to keep on the cutting edge and provide both employment opportunities and the workforce to meet requirements of these opportunities.

We applaud efforts of communities like Rockland, Idaho, which attempt to link all possible resources and provide multiple opportu-

nities for growth and development. These efforts must be encouraged and sustained if Idaho and other similarly affected States are to keep pace with the 21st century.

The majority of funding for economic development and employment training programs is targeted toward urban areas where the problems are more severe in numbers. But we have the same problems in our rural areas with lower chances of—or higher chances of the youth and young adults dropping out of school and going toward alcohol and drugs. As younger children observe the situation, they too become disenchanted and abandon education at even an earlier age and become prey for the forces of alienation, frustration, and self-destruction.

These are exceptional problems, and as such, require exceptional solutions. Solutions which we may not have even thought of yet. And I realize the answers are neither quick nor easy, nor can they be answered here today.

It is my sincere hope, and the hope of the Southeast Idaho Private Industry Council, that as Congress tries to respond to the demands of the changing economy that individual Congressmen will ask themselves questions about the level of commitment they have to help solve the problems of rural and agricultural communities. The dollar amount of resources that need to be committed to equitably serve both urban and rural communities and the inducements that can be offered to encourage businesses to be part of the solution.

Thank you for this opportunity.

[The prepared statement of Ms. Tracy appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Edie. I appreciate that.

Mr. Clayton.

STATEMENT OF CLAYTON SCHMITT, MEMBER, BOARD OF DIRECTORS, IDAHO RURAL WATER ASSOCIATION

Mr. SCHMITT. Thank you, Mr. Chairman. Thank you for the honor and opportunity to testify before your committee today. I represent the Idaho Rural Water Association, as a member of the board of directors. We have a potential membership of over 500 Idaho water utilities, and the association, as a member of the rural water association based in Duncan, Oklahoma, which is composed of 36 State's rural water associations with a membership of over 8,500 rural and small municipal water systems. This committee has a special opportunity supporting and strengthening rural water systems throughout America. We are privileged to be a part of this effort.

Our efforts today are to urge you to support the Farmers Home Administration's water and sewer program. For the past 25 years our Government, with the aid of this committee, has brought safe and affordable drinking water and wastewater treatment to rural America through its Farmers Home Administration rural water and sewer grant and loan program.

We believe that the rural water systems are the foundation of a strong rural community development. We are here today not only to strengthen, but to expand upon past Farmers Home efforts. Our

association recommends a simple and straight forward approach. We urge the following:

First, to reauthorize and expand the Farmers Home rural water and sewer grant loan program.

Second, that you authorize a rural wastewater circuit rider program which would provide for at least one circuit rider in each State. Due to fund limitations, Idaho is one of those States that is not participating in this program.

Third, we recommend that you authorize a rural ground water and solid waste disposal circuit rider program, which would provide at least one circuit rider in each State.

The rural water grant and loan program is indispensable for the quality of our rural environment. Other meaningful Federal or private loan assistance is not available to build or improve rural water systems or supplies. With EPA ending its wastewater construction grants program and replacing it with a revolving loan program, the Farmers Home program will be the only remaining notable future source of funds for the building of small wastewater treatment systems. We find that this is happening at a time when more and more of our rural areas are becoming out of compliance with the requirements of the Federal Safe Drinking Water Act. The number of contaminants under the Safe Drinking Water Act will soon increase to 83. Nearly 65 percent of the water systems affected by these new requirements served under 500 families. Without the Farmers Home grant and loan program the rural communities will not have the necessary resources that will be needed in order to meet these increasing Federal requirements. Currently only 25 percent of the water systems will not have to add additional water treatment facilities to comply with those existing regulations.

Although the grant and loan program provides an invaluable resource for small systems, there has been an ever increasing need for on-site technical assistance. We, at the Idaho Rural Water Association, find that part time or inexperienced water operators are becoming more dependent upon us to provide them with advice and assistance in order for them to keep their requirements in compliance with Federal regulations.

Our technical assistance circuit rider is part of the nationwide program administered by National Rural Water Association. We provide a full-time person that is available to help small systems in solving problems with their day to day systems operations. We provide technical assistance in management and billing, operations, water treatment, water loss, EPA required testing, and other such problems encountered in operating their system. The circuit rider is available on request to work with any community system under 10,000 in population. In many cases, regular contacts by the circuit rider has enabled him to spot potential problems within the system and to effect necessary corrections in time to avoid regulatory compliance problems.

The increasing number of requests for the small rural water systems for technical assistance is a good indication of our growing concern for the protection of our environment. As the use of pesticides and the locations of solid and toxic waste dumps increase, we become more concerned over our failure to protect vulnerable open

space areas. These concerns inevitably come back to the possible effect that these pollutants might have on the quality of the local water supply. Many of our small water and wastewater systems find that they are being forced in the position of becoming actively involved in environmental issues in order to protect the irreplaceable ground and surface water supplies. There is an assortment of Federal regulation and pending regulations on ground water restrictions coupled with the increasing number of requirements under the Safe Drinking Water Act. The ever increasing complexity of operating a rural system will be the greatest challenge they will face in the next decade or so.

We specifically recommend as follows:

The most effective and important program for maintaining or improving the quality of our rural water and wastewater is the Farmers Home rural water and waste disposal grant and loan program. There will be little or any improvement in our rural systems or environment without adequate funding.

We urge the committee to increase the authorization of the grant program from $340 million to $500 million. There are now over $800 million in loan requests that are unprocessed, and over $300 million in grant requests. These figures would be even greater if the local Farmers Home offices were not actively discouraging funding applications. We recommend that this increase because in too many instances the local system did not have the legal or financial ability to secure funding on the open financial market.

We further urge that this committee establish the circuit rider program for wastewater systems and for ground water waste disposal protection.

The national association has instituted such a demonstration program in 16 States on wastewater circuit rider. The demand for help from the small wastewater systems has far out exceeded their predictions. All small sewage systems are required to be in compliance with the Federal Clean Water Act, and there is little help or technical help that the small system operator can look to. Worse yet, the small systems are those that can least afford the ever increasing fines and regulatory requirements that pour forth out of EPA.

We also request that this committee consider the establishment of a solid waste disposal ground water protection circuit rider program. Many small water systems have encountered issues of solid waste disposal siting in aquifer recharge areas. Having a knowledgeable circuit rider in each State will help small systems protect their drinking water sources for now and for future generations.

We make the following recommendations on sources for funding for those programs. For the wastewater and ground water solid waste circuit rider programs, the total cost for covering the entire country will be about $4 million for each program or a total of $8 million. We believe that the technical assistance offered on-site by these programs will immensely improve compliance with Federal environmental regulations, and will result in a reduction in the cost of enforcement by EPA. With increased concerns for the environment, we think that there could be sufficient support for these programs within existing budgets.

The funding increase recommended for Farmers Home grants or loans are more significant and will require budget shifting under a

no-growth budget. There is now a growing concern for the environmental protection within our country and there is little, if any, chance of improving the environment in rural areas without a positive, adequately funded Farmers Home grant and loan program. If new funds were freed up in the Federal budget, this program should receive a top priority.

In closing, we realize that there is a movement on by both the Rural Electric Cooperatives and the Federal Farm Credit Bank in helping provide funding for water systems in rural areas. In the Senate version of this legislation, there is authorization for increased involvement by these organizations in rural water system assistance. Our State association and national association welcome all the assistance we can get in improving rural water.

We must add that we strongly believe that the Farmers Home rural water grant and loan program is the most practical and effective method for gaining the greatest rural water system development for the funds invested. Rural electric has been a partner in many rural water systems, however, the establishment of a new federally assisted water program with different rules and financial arrangements might not be warranted in these tight budget times. Rural electric co-ops have a further State imposed limitation in areas of service that are assigned to them, and which leads most of the State of Idaho outside of their areas. We recommend that there be a careful review of any use of Federal appropriations to fund programs to assist rural water and sewer systems by other than Farmers Home rural water grant and loan programs.

Thank you again for this opportunity to appear before this committee. We are eager to assist you in any way we can in your efforts to pass stronger and better rural development legislation in order to revitalize rural America.

[The prepared statement of Mr. Schmitt appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Mr. Schmitt.

Commissioner Wheeler.

STATEMENT OF RALPH M. WHEELER, COMMISSIONER, POWER COUNTY, ID, ON BEHALF OF THE IDAHO ASSOCIATION OF COUNTIES

Mr. WHEELER. Congressman Stallings and Congressman English, I am kind of a late substitute for the director of the Idaho Association of Counties, and therefore, because I am not a full-time commissioner, I have had to work substantially, and my written testimony will follow.

Mr. STALLINGS. Thank you.

Mr. WHEELER. I want to remove the redundancy that my notes would cover from what has gone on previously, by pointing out a couple of things I think that would not be spoken to by other speakers. But first of all I would like to say—and I do not know how much detail your legislation in rewriting these grants and these programs will come to—but I would encourage the types of criteria that the Idaho Department of Commerce and their selection committee, that type of thing is very helpful. So you get the screening that is necessary, so that you are not say, prolonging the

life of a dying community for 3 or 4 years and then it is gone anyway. And those are very difficult things. Nobody wants to play Solomon as Congressman English eluded to earlier.

I think you need to be sure that the benefits accrue to the community and not to an individual business. I mean, even beyond the point of the jobs being very nice and necessary, who ends up with the bucks. I think that is important. I think it is very important that the project not jeopardize existing markets either in business, or competition between business, or say a HUD grant that might provide some housing, will that kill the existing housing market that is already there. I think that is very important because those are life and death matters to those communities. I think it is equally important that when you consider the life of the rural communities that other decisions you make, but not in this committee, do not kill the community. I have been a small businessman for 35 years. Only 1 year did my net profit equal 5 percent, all other years it was less.

Things that Congress is considering, mandatory health insurance, and some of these things; frankly, gentlemen, would exceed the net profit that my business has had. And I think those other decisions will have a great bearing on whether rural communities exist or not. And whether there are services available, to not only other people who live in the community, but the agricultural community itself.

I think you can see those things that are really true because we wonder what happened to the car dealerships and the implement dealerships in small counties. Why did they disappear? And they have. They disappeared because those businesses do not have profit adequate enough to serve the debt load that are required in those types of businesses. Not only gone then are the salesmen for the equipment, gone are the salesmen for the parts, gone are the repair people, the bookkeeping people. My community used to have six very large implement dealerships. We are down to two, and they are sick.

And I think these other policies that you implement, regardless of how much money you can pour into these programs, be very careful about what you do otherwise. And if you get into any long term things, my other and final word of caution is, and here is another example for rural health care in our community, and county commissioner's are very deeply involved in that. Most of those small community hospitals are county operated and owned. We also get to pay many of the bills because in Idaho the indigent care is a great load upon the local property taxpayer and the counties.

We were very happy when we were short of physicians to see a program move in that brought in some subsidized physicians. And I will be darned if the program did not work like everybody tried to make it work. These physicians now want to stay there and do not want the rest of the subsidized organization around. But that organization does not want to leave. Now, that subsidized organization wants to stay in competition with the physicians who have decided to go on their own, and those sorts of things I think have to be looked at, and that certainly is beyond the scope of this committee. But I guess once you get one of these monsters going of some sort,

you need to be able to shut them down later on when the time arrives.

I think that concludes what I need to say.

[The prepared statement of Mr. Wheeler appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Mr. Wheeler.

Mr. English, do you have any questions?

Mr. ENGLISH. No, Mr. Chairman, I think the panel has done a good job. I appreciate the testimony. They made some excellent points. And I do not believe I have any questions for this panel.

Mr. STALLINGS. Mr. Wheeler raised some issues that sometimes we lose sight of. We can build one program for the rural communities and quite often it has some negative impact on some existing businesses unless we are very careful on how we apply those funds.

Mr. ENGLISH. If I may, Mr. Chairman. I think the point I would make, Mr. Wheeler, is really what we are getting into now more than anything. I think it gets into questions of where you do not have private capital available. Where you do not have the support mechanism, and it—goodness knows we have more than enough needs and demands as far as rural communities and more than enough problems to solve without duplicating what may be taking place. And you are absolutely right. You do not want to do anything that is going to be counterproductive. It does not do a whole lot of good to add jobs over here if you are taking them away over here. So I think it is an excellent point to make and I appreciate your making it.

Mr. STALLINGS. Thank you very much for your testimony. We appreciate that. Like with the others, if you have some written testimony you would like to include, we would appreciate yours. Any additional information you have that would help this committee, please make it available to us. As the hearing is dragging on and not going as quickly as we hoped, the information that has been gathered I think is absolutely vital. So what we will do is have the fourth panel, those involved in regional development organizations, then break for lunch, and then finish our last three panels. We will see what time we break before we decide what time we will come back.

So Joe Herring, executive director of Region IV Development Association, Inc. from Twin Falls; Jeff Summers, executive director, East-Central Idaho Planning and Development Association, Inc. in Rexburg. I want you to make note of that, Mr. Chairman, because Rexburg is an awfully important town. That is where I am from. Ron Law, former mayor and now county commissioner of Bear Lake County, chairman of Southeast Idaho Council of Governments; and Phil Choate, ORE-IDA Planning and Development from Weiser, Idaho.

Gentlemen, we welcome you here. We appreciate the efforts you have made in putting together the testimony and for the time you have committed to be with us and help us in this task. Mr. Herring, if you would like to begin.

STATEMENT OF JOSEPH L. HERRING, EXECUTIVE DIRECTOR, REGION IV DEVELOPMENT ASSOCIATION, SOUTH-CENTRAL PRIVATE INDUSTRY COUNCIL, AND REGION IV DEVELOPMENT CORP.

Mr. HERRING. Thank you. Good afternoon Congressman and staff. I am Joe Herring. I am the executive director of the Region IV Development Association, the South-Central Private Industry Council and the Region IV Development Corporation, all of which are private nonprofit organizations serving the eight counties of south-central Idaho fostering economic and human resource development. Our area covers about 11,500 square miles, approximately 64 percent of which is controlled by the Government. The estimated 1986 population of our region was 141,000 people. We are very much a predominant rural and agricultural base with approximately 30 percent of Idaho's agricultural products coming from our region.

My purpose in being here this afternoon is to address the areas of your interest in relation to the problems and frustrations the people of region IV share in attempting rural development efforts.

To be successful in economic development in the long run, careful and continuous strategic planning is required. Most rural communities do not have the resources necessary to provide their own professional staff. The Economic Development Administration of the U.S. Department of Commerce provides assistance in strategic planning through recognizing and funding economic development districts. The district provides professional staff that assist communities with planning and implementation. I support the continuation of EDA's planning grant program, but additional resources are required to be successful in rural America.

The U.S. Department of Agriculture has such a program authorized and adequate funding for that Farmers Home program should be addressed in the rural development efforts.

Rural America has fewer people and businesses sharing the cost of infrastructure than urban America does. As such, the cost per capita providing necessary infrastructure in rural communities is higher. There are Federal loan and grant programs. We have heard about some this morning that have been very successful in providing assistance in these areas. The grant programs generally require local matching funds. These programs should allow communities greater flexibility in meeting matching requirements. In specific, more allowance should be given to force account and in-kind contribution work from those communities.

The current policy of the Economic Development Administration requires a local community to provide at least 50 percent of the project's cost. This severely limits a small community's opportunity to participate. Often this provides the only level of funds available to make this match and for other Federal grant funds. And by using this, it often magnifies the project cost and doubles the bureaucracy and the cost of the Federal Government for the project.

An issue that was addressed earlier is how to determine the amount of matching funds required. I believe that the community's ability to provide the matching funds should be examined. The current debt burden and the capacity of an individual community

could be used as one measure in determining matching availability of funds.

The economic impact of infrastructure projects in rural America can be tremendous. The creation of retention of one job in a rural area is much more significant than in an urban area. State and local flexibility is mandatory for these programs to be effective in rural America.

Access to capital for rural business development is very difficult. Commercial lenders in rural communities generally do not support business growth. This creates a gap in the development process. And in an attempt to fill that gap, we operate two loan programs that provide assistance to businesses as well as incentive to commercial lenders.

One program, the Small Business Administration section 504 loan program is a useful tool that we use. This program could be much more useful if the cost per job standard was raised from the current standard of $15,000 per job as established about a decade ago. The National Association of Development Companies is recommended an increase of $35,000 per job. Our certified development company surely supports that recommendation and urges its adoption as soon as possible.

The other loan program we operate was financed by a grant from the U.S. Department of Economic Development Administration. The revolving loan fund is very helpful because it is flexible. On projects in our area that we have encountered problems with, there are three major areas from the revolving loan fund. One is, that on projects that include construction, the Davis-Bacon Act is triggered for all construction. This is often a deal killer. It is not realistic to expect a small business person to understand or to adhere to these requirements, especially with smaller financing projects. Once revolving loan funds are loaned and repaid, the Davis-Bacon Act should be eliminated for future borrowers. Two, our lending authority for working capital is limited to 30 percent of our portfolio. Working capital credits most difficult for small businesses to obtain, especially in rural areas. This limit on financing working capital should be raised at least 50 percent of a total loan portfolio. And three, again, as in the SBA 504 program, the cost per job is not realistic. The standards established by the Economic Development Administration is about $10,000 per job. An increase of $35,000 per job is much more realistic. Again, more local flexibility is necessary for Federal programs to be more effective in the rural areas.

Congressman English, you expressed concern surrounding the exchange of information concerning rural developments. The Region IV Development Association currently subscribes to several data bases. And I am sure other entities do too that have a national data base on what rural programs are operating.

Mr. ENGLISH. I guess the question I have though is with a lot of rural communities you may not have access to that, you have some regional development organizations from some areas and from some areas you do not. And if they do not have one, you are kind of out in the cold. So there ought to be some way in which you can give these cities direct access to that information.

Mr. HERRING. It surely would. In Idaho that capability exists through the planning districts. All States are not as lucky as Idaho as to be completely covered with planning districts.

As you are aware, the Federal Government spends hundreds of billions of dollars a year in buying goods and services from the private sector. Primarily, through the Department of Defense. For the past 4 years, Idaho has had an extremely effective program operating by assisting businesses procure goods and services through the Federal Government. In region IV we have spent approximately $45,000 and have been successful in generating over $10 million worth of sales. The State of Idaho gets about $149,000 of grant funds per year to operate the program. We were recently informed that after a review of regulations, the Department of Defense would not allow Idaho to continue this successfully proven program, and in this case, this coming year we will be severely limited in our delivery of services.

Another case of inflexible Federal program rules are here in rural development. In follow-up testimony, I will supply written information on that.

The Region IV Development Association works for our individual local communities and regional economic well being. Through three separate boards of directors, individual community problems are aired and solutions solved. We have developed very strong public and private partnerships that are capable of responding to the needs of our rural area. Across the Nation there are entities just like the Region IV Development Association, six of us in Idaho, that serve rural America in this capacity. I would advise more Federal use of these important experience public/private partnership resource.

And as I close, I thank you for your concerns to keep rural America. Without all of our efforts, it would be lost.

[The prepared statement of Mr. Herring appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much.

Mr. Summers.

STATEMENT OF JEFF SUMMERS, EXECUTIVE DIRECTOR, EAST-CENTRAL IDAHO PLANNING AND DEVELOPMENT ASSOCIATION

Mr. SUMMERS. Thank you. My name is Jeff Summers. I am also an executive director of a regional planning organization. Many people have asked me what that is, and in order that you will understand my perspective a little bit better, the organization has been in existence for 13 years. During that 13 years they have tried to wash us away with the Teton flood in Rexburg, the building has been blown up with three people in it, and we are still here, and we are still going. We are into all the different programs that Joe has mentioned.

As a regional planning organization we cover 9 counties and 44 cities. I have worked on a project recently and completed it in a community of 29 people. That was a major water project. We find that local elected officials, a majority of them are volunteers in the rural areas. They do not have the time nor the expertise to be able to be putting projects together. And we basically have what we call

a red rover theory. And that is when I was a child we played red rover, which is red rover, red rover, send so and so right over. And that type of situation, what we do is when a community has a need or we work with them and identify a need, we then go out and help them develop a project or whatever is needed in that community to accomplish and take care of that problem.

I have a list of the different types of organizations we have worked with as a regional planning organization. We have worked with the Department of Labor, Job Training Partnership Act, and the Private Industry Council, the Small Business Administration, Urban Mass Transit Authority, Environmental Protection Agency (EDA), Department of Housing and Urban Development, and now the Community Development Block Grant, Farmers Home Administration, Federal Forest Service, and Department of Defense. Those are all the different resources that we have tried to draw on to bring about different projects. In our 13 years of existence we averaged between 500,000 to 1 million dollars' worth of projects each year. Those can be small business loans. That can be referral mechanisms. That can be a grant we write for a senior citizen group. The idea and what we have tried to do is basically put together a very comprehensive group of people that can come in and help the community.

Recently, one of our most successful stories is we had a company looking at Idaho that wanted to come in and do telephone surveying. And they had an existing company. It was out of State. They wanted to expand that because of the new digital telephone system in Idaho and with the recent extension of fiber optics into a community we are able to bring them to Idaho. They now have 90 people employed in the community of 11,000. Now, it had a substantial impact on that community.

As a regional planning organization, I very much support the concept. You kind of look up here and you see a tie and a shirt. You take that off and what you see is a farmer's tan. I grew up on a farm. I grew up feeding cattle. I grew up changing water and hauling hay. I went away for 10 years to get education and a number of things. I lived in cities over 3 million, and now I came back 9 years later, and I have worked with this organization. We fill a very needed void there.

I think one of the major problems if you are looking at rural economic policy, is referring people properly into the existing resources that are there. When people come to me, if they just have a good idea, I usually refer them to SCORE, the Service Corp. of Retired Executives, under the Small Business Administration program. SCORE teaches classes on how to do a business plan, how to put together cash-flows, and those type of things. And our SCORE arm here in southeastern Idaho and particularly Idaho Falls are very active. We have referred people as far as 156 miles away into them. And we also have looked at setting up an 800 number where people can call in and ask questions, request different things like a sample business plan.

I think that is the most key thing to rural economic development. Is being able to go out and getting those communities and refer them into a proper mechanism similar to what I call the 800 honey number. If I have a person that is raising bees and has

honey and he wants to find more out about honey products and what he needs, there is an 800 number that you can call. And he just picks up the phone and calls. An institute has been set up. Basically you find out about honey and what the different products are that are available. And perhaps how he can be better at bee production and so forth. And that kind of knowledge I think needs to be put together in some kind of 800 network that people can access from the rural areas.

Thank you.

Mr. ENGLISH. Mr. Law.

STATEMENT OF RONALD LAW, PRESIDENT, SOUTHEAST IDAHO COUNCIL OF GOVERNMENTS

Mr. LAW. Congressman English, on behalf of the 7 counties and 30 cities in southeastern Idaho, I would like to express our appreciation to you for taking the time to bring the very important congressional hearing process from Washington, DC to Idaho. We appreciate that very much.

My name is Ron Law. I am one of three Bear Lake County Commissioners. And I am currently serving as the president of the Southeastern Idaho Council of Governments.

The Southeastern Idaho Council of Governments, SICOG for short, was organized in 1973 as a voluntary association of locally elected officials. It is a private nonprofit corporation. At the present time we are involved in three major program areas. Economic development, employment and training, and services to the elderly. SICOG also staffs the Southeast Idaho Private Industry Council and Area V Agency on Aging, and administers a $2 million regional revolving loan fund. As I wandered the halls and people shook my hand, they all whispered in my ear, remember 5 minutes. And one thing I am good at is following instructions, so I will do that.

I would like to just briefly comment, as an elected official on why I feel that rural councils such as SICOG and the organizations that these other gentlemen here represent, need to be major players in any rural development programs or initiatives. Any Federal program, regardless of how well it is conceived, how well it is funded, or how well intended it is, is not going to be successful unless it is able to deliver the benefits to those for whom those benefits are intended.

Rural communities have individualized problems, concerns, weaknesses, and strengths. Resources and the ability to address problems vary from State to State, county to county. The needs of Harden County, Kentucky, for instance, are very different from those needs of Bear Lake County, Idaho. And because of this, any rural development needs to begin at the grassroots level, and must be designed to meet the needs of that particular community, county, or area if it is going to be successful.

Unfortunately, however, a good share of our rural towns and counties are not prepared, nor equipped to deal with most Federal agencies or Federal programs. Having served as a chamber of commerce president for some time, many years on the city council, and mayor of a small rural town of 3,000 people, and currently serving

as a county commissioner from a rural county, I can personally attest to the arduous and often times impossible task of trying to deal with a Federal agency or apply for a Federal grant on our own as a local community. Most small rural communities do not even have the knowledge of State and Federal development assistance that is available to them. Nor do they have the expertise or the resources to apply and administer those types of programs. To apply for, receive and to deal with, once they have received them. The fact that so many different agencies have such an array of programs usually compounds the problem and adds to the confusion. Then, the real kicker comes when you get to the bottom line and you find out that besides the mounds of paper work, guarantees and compliances that you are required to do, you are also required to come up with a 50–50 match. That is just not possible for many of our rural communities. In fact, if they had that kind of financial resources available to them, many of them would not need the assistance in the first place.

The match requirement benefits the more affluent communities and penalizes those communities who lack those resources. Now, I have painted a bleak picture, but believe me, I have not exaggerated on any of these problems. I have experienced them myself and they are real. But there is a solution to many of these problems for our rural communities. There is an entity that can bridge the gap between rural communities and the Federal agencies. And of course, that entity is the regional council such as we represent here.

These regional councils with their trained and very efficient staffs can sift through all of the various Federal programs that are available. They can recommend to the local leaders which programs they feel would be good for that community and the ones that community can qualify for. And then they can take their technical abilities and help the community or county to apply for that grant or for that program. And then they also have the capability of administering the program if the community is successful in being funded.

When I was the mayor of our community, we were fortunate and were able to have a number of projects done, but I can certainly tell you, had it not been for the staff of SICOG and their expertise and their technical know-how, we would not have accomplished those things. And so, I think it is very important, and certainly would like to encourage Congress, to provide for full utilization of these regional councils in any future rural development programs. I have just four brief legislative recommendations that I would like to leave with you. They are explained in much greater detail in my written testimony.

First of all, I would like to see you provide capital in the form of a no match grant funds for revolving loan funds. Rural America cannot afford even a local 25-percent match, let alone 50–50 in many cases.

Second, we would like to see you direct in the legislation the utilization of existing revolving loan fund administrative entities which have been capitalized by other Federal and economic development programs. We already have a lot of good existing entities that can handle these programs. Some of them are represented

here. And we feel it is a waste of time and money to try and go about creating new ones when you already have efficient ones available to use.

Third, we would like to see it provided in the legislation that the lead Federal agency for this rural economic development initiative be the U.S. Department of Agriculture. Of the 15 primary Federal departments and agencies identified by the General Accounting Office as providing assistance to rural counties, the USDA accounted for the highest percentage of program funds going directly to rural counties and that amounted to about 50 percent.

Fourth, we would like to see incorporated into the legislation a demonstration program to use regional councils to coordinate the delivery of rural development programs. A copy of the proposal provided by M. Rudy Groomes on June 29, 1989 to your committee on behalf of the National Association of Regional Councils is included in my written testimony. SICOG is a member of that organization, and we certainly support that proposal.

Finally, I would like to say that rural development, economic development, are catchy phrases. They are often used in talks before chambers of commerce and the like. In fact, they find their way into many political speeches. But economic development is not catch phrases. It is not fancy speeches. Economic development is doing. And that doing needs to be done at the grassroots level. And we at that local level are eager to jump into the trenches and go to work. Now, we need the tools to get the job done. Efficient tools, tools that are made accessible and available to us. Tools that will help us to help ourselves. Tools that will help us, rural America, to begin to enjoy the fruits of a prosperous economy.

I thank you, sir, for allowing us to be here today.

[The prepared statement of Mr. Law appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. Law.

Mr. Choate.

STATEMENT OF PHILLIP M. CHOATE, EXECUTIVE DIRECTOR, IDA-ORE PLANNING AND DEVELOPMENT ASSOCIATION, AND TREASURE VALLEY CERTIFIED DEVELOPMENT CORP., ALSO NORTHWEST REGIONAL DIRECTOR, NATIONAL ASSOCIATION OF DEVELOPMENT COS.

Mr. CHOATE. Congressman English. My name is Phil Choate, I am here before you today in two capacities. The first is the executive director of two economic development organizations in southwestern Idaho and eastern Oregon. I am executive director for the IDA-ORE Planning and Development Association, an economic development district in that area; and executive director for the Treasure Valley Certified Development Corporation, a small business lender in that same area. We serve 12 counties covering over 40,000 square miles, and having approximately 400,000 residents we embrace three different congressional districts.

Before you leave, Congressman English, I would like to introduce my two sons who are standing in the balcony. They are wearing OU T-shirts in your honor today, and hopefully to make you feel a little more welcome in Idaho. I had the pleasure of attending the

economic development institute at the university last week and knew you were going to be here and wanted you to feel very welcome in our State.

Mr. ENGLISH. Well, thank you very much.

Mr. CHOATE. I also bring you greetings from our president, Mayor Don Etter of Mountain Home, and our vice president for economic development, Commissioner John Hyler, Elmore County commissioner.

The other capacity I fill here today is as the Northwest regional director for the National Association of Development Companies, or NADCO. As a member of NADCO board of directors, I am also pleased to represent the recipient of NADCO's most active rural certified development company award for the last 2 years.

My purpose here today in testifying before the House Subcommittee on Conservation, Credit, and Rural Development is to address three topics. First of all, rural development requires the participation of both private and public sectors. Public leadership is often the key to success. Participation by the public sector in rural development is often fragmented and best served by the economic development authority which represents the collective participation of local city and county governments—in our case 35 cities and 12 counties—working in partnership with State and local agencies. Without the participation of local units of government, the financial and technical expertise or leadership is often lacking and the ability to accomplish the economic development goals that we have is also often lacking.

The second general point that I would like to make is that rural economic development, just as it does in the more urban setting, requires a strong capacity to create and implement strategic planning policies for business and economic growth. Without policy plans, and without the resources to implement these policy plans, local leadership, however well intentioned, will not accomplish this objective.

Finally, the most critical of these problems, and the one confronting agencies such as the ones represented here at the table this morning, are those associated with attraction of and the availability of adequate capital for business and economic development functions.

Let me address briefly, again, the point I wanted to make about local government. I do have some written remarks for the record. Those will be included in my packet for you. We have been involved—my colleagues and I—for a number of years in the process of economic development in working with local rural city and county governments on a pooled basis covering entire regions. This operation in our State is known as an economic development district, funded by and sponsored by city, county, and Federal agencies. Often times city and county governments are incapable of delivering quality professional development services on their own. They just do not have the capacity and the resources to do that. These pooled arrangements—such as the ones represented again here this morning—not only create local capacity, they also create the ability to accomplish and actually implement some of the objectives that State and Federal agencies have.

One of the keys to successfully accomplishing this is strategic planning. I think this has also been mentioned this morning by some of the other panels. One of the problems that we have had in spite of the fact that we have been continuously funded by the Economic Development Administration who provides planning assistance to localities, is that these resources have not grown over the years. They have, in fact, shrunk. And because of the limitation on local resources and also the Federal austerity measures that have been implemented in the last decade, these planning resources have often been stretched to the breaking point. Even on a pooled basis there is insufficient capacity to meet local and regional needs.

One program of which I am aware which actually exists as a part of the authority of the U.S. Department of Agriculture, is the Farmers Home Administration, section 111 program, which has only been sparsely funded over the last several years. In fact, I think it was last funded in 1980 or 1981. I am not sure of the year. This particular program authorizes the Secretary to make grants up to $15 million annually for rural development services in a region. As my colleagues before me have emphasized, I would also urge you to consider funding this program adequately and, I believe, it would reap rather substantial benefits through the Farmers Home Administration and Department of Agriculture in their being able to deliver effectively the other development services and programs that they have available.

The last general point that I have to make has to do with rural development finance. Part of our mission as rural economic developers should be to diversify the local economy, make it less dependent on agriculture and other extractive, economic functions, while at the same time supporting the traditional economic base, such as agriculture here in Idaho.

Two of the vehicles that we have used successfully in implementing rural development finance have included the revolving loan fund concept and the Small Business Administration, section 504 loan. In our area we have—summarizing briefly—experience with the revolving loan fund program. We have created 11 loans to manufacturers, retailers, and service providers, totaling $880,000. These loans have leveraged other private investments at a ratio of 5 to 1, and have created over 230 jobs.

As you can see, we have succeeded in the two primary objectives in economic development by creating new private investment, leveraging additional private investment, and job creation. We have managed to do that with a very very small amount of money. And I think you will find that there are other examples of this program successfully implemented all over the United States. We have used this program, however, as a financing gap, a resource to fill those needs where we are not best able to handle them with other more substantial programs.

Our revolving loan fund assistance is very very limited. We do not have the $2 million that was mentioned earlier. We have a very small amount as I mentioned before. And we have tried to leverage and use the Small Business Administration, section 504 loan, as a vehicle to accomplish rural development finance.

Our experience with the section 504 loan program through the Treasure Valley Certified Development Corporation, has been that

we have created financing or stimulated financing of over $31 million--that is closed business—over the last 6 years to small business concerns in our region. The Government's participation in the overall financing amounts to a little over $12.4 million. Leveraging at a ratio of 2.5 to 1. This financing has also created over 1,200 jobs in the region, and has cost us roughly $10,000 a job.

The distribution of our portfolio of 81 loans that have been approved by the SBA is basically 44 percent rural and 56 percent in Boise City. The principal point, I guess, that I would like to make here, is that there is development finance capacity out there serving rural communities. Rural economic development associations or districts, planning associations, and certified development companies are scattered all over the country serving rural communities and I think very effectively in many cases.

One of the needs that we obviously have is a little more funding to finance more projects. Increasing capital availability is very important. Some of the problems that we see in the existing development finance area have to do with some things that have already been mentioned.

On the matter of cost per job, many rural communities find it very difficult, and many of the small businesses find it very difficult to meet standards of cost per job that the Small Business Administration and Economic Development Administration require.

There has been a recent study completed at the initiation by the Development Company Funding Corporation. This company is the vehicle that actually funds the Small Business Administration's 504 debenture program. Now research carried out by consultant Arthur Anderson and Co. finds that the standard created by the SBA in 1981 for the 504 program of $15,000 per job was inadequate. That standard really should have been much higher based on the analysis that they did, and much of the historical data going back to the early 1980's indicates that the actual cost for the creation of manufacturing jobs in this country is closer to $133,495 per job in 1987. And that is an issue that we certainly encourage you and your staff to take a serious look at as you consider development finance resources in your rural development legislation.

Be very realistic as you take into account the standards for job creation that you implement or that you establish for future rural finance programs. I encourage you to contact the DCFC and obtain a copy of the Arthur Anderson study and use it in your program development. I think it could be a very valuable tool for you.

Another problem is access to capital in general. This is another area that our trade association, National Association of Development Companies has been working on. We have, with the approval of the SBA, begun the process to transfer the license from one of the existing small business lending companies in this country, now held by Merrill Lynch and Co., to our trade association. With the help of a major national financing institution, we intend to begin the process of creating a small business lending company which can originate SBA's 7a guaranteed loans. This is going to be a major asset to rural certified development companies in addressing the working capital needs in particular of our rural business concerns.

Finally, I would like to just mention to you that there is also another program that has been very sparsely funded over the years. A program called the Farmers Home Administration's Industrial Development Grant. We were somewhat successful this last year in receiving a small portion of a very tiny resource. There was only $1.8 million available nationwide under this grant program in 1988. We used this program to create what we hope will be a very successful new model for rural development finance. We perceive the problem of disinvestment in many of our rural communities. That is, reducing interest in and support for existing plant equipment. Many of our rural businesses need homes to operate in. New business homes. And what we would hope to do with our industrial development grant—and we are in the process of implementing that program now—is to create a revolving fund that will assist local entrepreneurs in building new plant or revitalizing, refurbishing existing buildings that have fallen into disuse and disrepair. This, we think, fills an essential financing gap, and hope that this revolving development fund, which we have put together with the Farmers Home Administration's help, will be successful in addressing part of that need.

I guess we would like to talk about the Farmers Home Administration's business and industry loan program, but we frankly cannot do that. Several months ago, there was a flurry of interest in the program expressed by the then director of the administration's State office, saying they "were open for business" again. They had money to lend. And we said, gee, we are active in this process. We have many small business clients in rural communities who could use this facility. I called them up and said, how about this program, how about this particular loan opportunity. We studied the regulations, so we thought we knew what they could do and what they could not do. The thing that was the killer was the fact that the program is not locally administered, or State administered. It is administered back in Washington, DC., and it takes up to 6 months to get a loan approval. There is no point in a small business concern looking to that as a favorable resource for possible financing.

As I close, I would like to remind you that rural development and economic development in general is an area that has been the focus of professional organizations for many years. There are strong public, private partnerships in existence throughout the Nation, which stand ready to serve as a partner for the Department of Agriculture in delivering vigorous development services in our rural areas. I would urge the House Subcommittee on Rural Development to consider the economic development districts and the certified development companies in this Nation as experienced, serious partners in the enterprise of rural development.

Thank you, Congressman Stallings.

[The prepared statement of Mr. Choate appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you very much, all of you. I appreciate the testimony. You have had a great deal of experience in working with economic development. I have worked closely with Jeff on a number of issues, and I am impressed with your ability to get some things done. And as we draft this legislation, I would hope you

would watch very closely. Give us some suggestions on where you think we are doing things right and some mistakes we might be making. Because we are not going to have a lot of opportunities to do this. And if we have to do it and then redo it and clean up our mistakes, it could be too late for some of these communities. And so I appreciate your testimony. As I have said to the others, if you have additional information that you think would help us, please make it available to us.

Let me make a general announcement at this point. We are going to break for lunch and try to get back and get started as close to 1:45 p.m. as we possibly can. Our workshops will go on as scheduled at 2 p.m. And some of you who are interested in those, we think they will be of interest and importance, and so we will take them as scheduled rather than put them at the end of the hearing. The hearing will continue at about 1:45 p.m., and we will go as long as we have people that have things to say. We are about half way over. We got about a dozen or so witnesses left. All of them have some information that I think will be pertinent to the committee. Let me just thank the gang that showed up from the State department of commerce, Rick Ritter from the Small Business Development Center for their efforts in these workshops. We think that they have some information that will be very valuable. And as people complete their testimonies—complete their participation on this—we encourage them to visit the workshops and find out what is in their interest and their need. And so at this point, we will break for lunch and try to get started again, as I said, about 1:45 p.m.

[Recess for lunch, to reconvene at 1:45 p.m.]

AFTERNOON SESSION

Mr. ENGLISH. I think what we will do. I realize there are still some people who have not gotten back from lunch, but I think we will go ahead and start and then maybe they will come on in while we are hearing testimony from those that are here. Is Mr. Blair Hawkes here?

Mr. HAWKES. Yes.

Mr. ENGLISH. Mr. Hawkes, we will just let you lead off.

STATEMENT OF BLAIR HAWKES, PRESIDENT, IRELAND BANK, MALAD, ID

Mr. HAWKES. Thank you, Congressman. I am president of Ireland Bank in Malad, Idaho. Malad, Idaho, is a small community south of here with a population of 1,900. It sits in Oneida County that has a population of roughly 3,400. We cover a huge space. And needless to say we have been agriculturally dependent for some time. It has been our economic base. We found it terribly difficult to expand that economic base given the present circumstances.

As you are aware, agriculture has experienced a depression in the last 9 years. Many farmers have had to leave the farm and look for off-farm work. They found it essential to find another job to make ends meet. We have been fortunate in that we have had Morton Thiokol, who is now Thiokol, who is now a major employer in our region. Their fame obviously hinges on the space shuttle.

But they are in the throes of retrenchment and are beginning to layoff people, and now are beginning to see unemployment creep up.

We have labored long and hard in our community in an effort to attract some industry and keep people and broaden our economic base. We formulated an economic development corporation with a context of being able to access the Government grants and loans of various sorts. We were the first in the region to do so. A number of communities since have patterned their nonprofit corporations after our corporation. We have been able to utilize the funds from that corporation only in a very limited way. We do not find many qualified users of the funds.

Our efforts to attract new industry have been fragmented. We do not work cohesively. Part of the problem is that in order to attract an industry, one must maintain an infrastructure that is attractive to outsiders. In an effort to maintain the infrastructure at a satisfactory level, we find ourselves continuously losing ground. We must provide proper fire prevention, good police forces, hospitals, doctors, schools are obviously essential—as a matter of fact, an absolute must—and a shopping area that would make people want to live in the community, not to mention the quality of life that can be found. All of those areas have been decimated by various Government programs.

For example, the Conservation Reserve Program. It took a number of farm workers out of production, left numbers of people who were into seed and fertilizer and fuel business without people to sell seed, fertilizer, and fuel to. The Dairy Buyout Program is another that has decimated us. We have had huge numbers of dairy farmers bought out in the Dairy Buyout Program. And in doing so obviously the suppliers of the products that are necessary for the dairy industry suffered severely. The whole concept is a catch-22.

For instance, I also served as a hospital board chairman. I'll use the hospital as a case in point. The hospital was built with Hill-Burton funds. Hill-Burton was a program that was put together years previous to provide rural hospital care to people who are unable to find it in other communities. Part of the requirement of Hill-Burton was that people who were unable to pay or who are unwilling to pay, be allowed to go without paying for their medical assistance. It is a terribly expensive proposition. It looks at the problem of taking care of people who have no residence in the county, or who were hurt passing through. The requirements of Hill-Burton have been changed a number of times preventing us from ultimately getting out from under the requirement of Hill-Burton. And I would tell you that our hospital at this point is in the black. And we do not have huge bed usage levels, but we manage our resources very carefully.

Medicare and Medicaid, another Government program, were provided to take care of those problems that exist here with people unable to pay, and consequently we have been reduced to a problem called diagnostic related groupings. Those diagnostic related groupings determine how long a particular person is required to stay in the hospital for a particular procedure. That does not always apply—for example, an appendectomy may take you 2 days

if you are in reasonably healthy shape. They can send you home. But if you have some other physical ailment or if you are a little older, it may take you considerably longer than 2 days. No one picks up the cost in between. So we are left to flounder to determine ways to get the costs covered. So if you relate the hospital to the balance of the community, the same problems exist with regard to providing fire and police protection and our shopping. Our shopping section of town is almost nonexistent. And, of course, part of the problem with that is those people that are operating shops have not realized who they are competing with. It is fairly easy to travel the 50 miles north of Pocatello or the 50 miles south to Logan, Utah. And there you can buy from the large retailers in this section of the country. And buy things at a considerably greater price, which we are awfully hard pressed to compete, particularly in light of the fact that the economic conditions in our community have suffered so severely because of the instances taking place in the farm economy. It is interesting to watch the farms and business of our town, none of which do very well. Everyone wants to be a merchant, so they start up the new store without an increase in population or in particular attraction to an outside market. And essentially all we do is divide the pie with one more cut.

As I mentioned, a lot of business is out of town. And there is a real problem identifying who your competitors are. I am aware that in the larger cities of this country, there is a growing movement against expansion. And there is a concerned effort to regulate business. And to prevent them from polluting or interfering with the quality of life. There is an effort to regulate population growth because an area is becoming so large they cannot provide the necessary services. And through all of this the economic well being of rural communities continues to lag. In the immediate past, if we had gone around this country and lined areas 100 miles from the coastline, those people who live 100 miles or less from the coastline would be doing economically well. And those people who are 100 miles or more from the coastline were economically strapped. And it seems to me that there has to be some happy ground somewhere.

In my experience I have found that the happy ground does not lie with any Government grant or direct assistance. It has been suggested that the Farmers Home Administration be an agency to match and develop the funds. The Farmers Home Administration, in my opinion, under its present management and circumstances is incapable of such management. With the total loss in the Farm Credit System, with the Farmers Home Administration one may be inclined to believe that loss will be a fiasco close to the problems of the savings and loan industry, which is a direct loss to the taxpayer.

I propose it would be best to cut administrative losses. Heal the bad feelings created by overzealous placement of the Government funds and poor administration and forgive those farmers who are financially dead. And let us get on about living.

I submit to you that in this part of the country part of the farm economy would be 1,000 times better off by saying we forgive those debts of those who are unable to pay and cease to fund the organization the right to take a natural death. Rural development would be a whole lot better served by providing incentives that those cor-

porations old and new who would locate in rural communities and would hire rural people for employment, then would be served by expanding Government programs and grants. Contrary to popular belief, our economy is still dependent on the manufacturing of goods and will be for some time. I think the concept of incentives particularly bears merit if one takes into consideration the circumstances of leverage buy out of large industries. We allow conglomerations to be put in place that control whole facets of a market segment. In the past years antitrust laws have been applied. Most of these conglomerations are made up of smaller parts and pieces that were profitable entities to themselves. Once they were put into large conglomerates and taken by leverage buyout, they were drained of their financial ability and utilized only by those who arranged the buyout. Then they are sold in an effort to service the debt and the existence of leverage buy out has occurred. Neither people nor production is considered.

If there were some efforts to make it more profitable for those companies that were purchased to seek expansion in the rural area rather than to be purchased, great strides would be made in expanding the economic base in the rural area. It is interesting that small contractors provide a large portion of the material they needed for large corporations. We have already seen that with Thiokol. It seems to me that there is a super area of development that can be had in small communities and small corporations whose numbers do not have to be large to provide the needed material to larger corporations whose purpose may be something removed from the small corporation.

I think a real case can be made that the Government does not understand the market nor the distribution system in this country. Much more could be done by providing economic incentives and by providing loans of credit through the agencies that are incapable, and the bureaucrats who do not care. We need block grants. Local communities need help with infrastructure problems. We need support through education. The SBA program needs to be continued.

One of the things from a banker's standpoint is that we arrived at a point in this country that it is no longer profitable for people to make or risk capital investment. Why make a risk capital investment that may or may not return to you. As Mr. Wheeler testified, the best return he had on his business was 5 percent. Why not take the capital, stick it in the bank and be guaranteed 5 percent on $100,000.

My point is simply this. We need to remove the $100,000 guarantee which will increase the investment incentive in this country because if risk capital pools have dried up, they dried up because people are unwilling to take a risk when they can have a guaranteed return that is far in excess of what a business will annualize.

So to me there are numbers of avenues that can be concerned and addressed. And certainly one of the most important is to see to it that the infrastructures of these communities are maintained. And Congressman, I do not know how you answered the question that was posed earlier, that being which communities are allowed to live and which are allowed to die.

Mr. ENGLISH. Thank you very much.

Mr. VanWinkle.

STATEMENT OF ALFRED E. VanWINKLE, DIRECTOR, CoBANK, NATIONAL BANK FOR COOPERATIVES

Mr. VANWINKLE. Mr. Chairman, ladies and gentlemen. My name is A. E. VanWinkle. I serve on the board of directors of CoBank. That is a National Bank for Cooperatives. I have been involved in cooperative finance most of my adult life. I worked for the Spokane Bank for Cooperatives for 33 years and retired in 1982. For the past several years I have been active in helping establish cooperative credit systems in developing countries such as Costa Rica, Uganda, Zambia, and the Philippines. But today I am presenting testimony on behalf of CoBank, National Bank for Cooperatives.

CoBank was formed on January 1, 1989, with the merger of 11 of the 13 banks for cooperatives in the United States including Spokane Bank for Cooperatives. And the Spokane region office of CoBank serves the States of Idaho, Montana, Washington, Oregon, and Alaska.

CoBank is the largest bank in the Farm Credit System and the largest cooperative lender in the United States. We currently have over $9 billion in loans outstanding, and, of course, they are primarily agricultural cooperatives and rural utility systems.

Mr. Chairman, I commend you and the committee for holding this hearing on rural development. CoBank, as a lender to some of the rural America's most successful businesses, has a direct interest in helping to revitalize the economy of rural America. Since our only business is financing in rural America, we have done so successfully in the Cooperative Bank system for over 55 years. For those reasons, I believe CoBank, and the other two banks for cooperative, and our customers, are in a unique position to bring about some positive changes in the rural economy.

Today I want to speak in favor of a specific proposal that we believe will help the rural communities and businesses. To be successful and to expand their operations as has been mentioned many times in testimony today, our borrowers and rural businesses in general need adequate infrastructure facilities; particularly, we are concerned with, and think we may be able to provide some help, in domestic water systems, to some extent irrigation systems, and waste disposal systems. I was interested in particular to Mr. Smith's comments in this regard.

Rural communities are struggling to improve and install water and waste disposal systems to meet health and safety standards. It is clear there is a need for a long-term lender, and that the Department of Agriculture and the Environmental Protection Agency estimate that rural communities will require from $20 to $40 billion—that is a wide swing—in capital expenditures to bring water and waste disposal facilities up to national standards in the United States. Early in the 1990's, even more stringent Federal standards will be imposed on drinking water in systems that involve 56,000 small and rural communities. EPA estimates that about 43,000 of these communities will need to upgrade the existing water systems to meet these new standards.

While the demand for financing is increasing, and has been repeated many times today, the Farmers Home Administration, which is the principal rural financier as we know in that area, has

only loan funds available for the neediest of communities. $330 million in 1989 and for comparison that compares about $900 million in 1979. This situation has created an extensive backlog of applications for community development loans.

The Farm Credit System's banks for cooperatives offer a partial solution to the problem. The banks for cooperatives have been making utility loans to rural electric and telephone systems for over 15 years. The commitments to utility industry at the present time exceeds $3 billion, so we have some experience in that regard.

In 1986, Congress authorized the banks for cooperatives to assist rural communities in refinancing certain Federal water and waste disposal loans. That was a very limited authority, but using that limited authority during the past 18 months, our banks have provided $90 million in loan funds to about 60 communities. A drop in the bucket obviously in relation to the 56,000 communities that we talk about as needing that type of assistance. But from that experience, it has become clear to us that many communities would like to have the option of obtaining credit from a private lender with utility experience and long-term funding programs.

The rural development bill recently approved by the Senate includes a provision authorizing the Farm Credit System's banks for cooperatives to provide financing for water and waste disposal systems owned by rural communities and nonprofit organizations. And the rural community has been defined under the Consolidated Farm and Rural Development Act, towns with populations of under 20,000.

We support this proposal and we encourage you to consider including it in any rural development bill considered by the House. I will also note that this proposal would have no adverse effect on the Federal budget, so it would be no cost to the taxpayers.

Mr. Chairman, I would be remiss if I did not take this opportunity to bring another issue to your attention. That issue relates to the insurance program established under the Agricultural Credit Act of 1987. The insurance program was intended to protect investors in Farm Credit System bonds. Under the act, insurance premiums are charged for outstanding loans made by Farm Credit System lenders.

We generally support the insurance program. However, a technical problem with the statute requires that the insurance premium be charged on loans guaranteed by the U.S. Government. Charging an insurance premium on the portion of a loan that is guaranteed by the Federal Government makes little sense. But cost of the premium must be passed along to the customer and in some cases the 15 basis points premium means the system will lose risk-free loan volume.

CoBank estimates that it will lose over $500 million in such volume in 1989 due to the insurance premium. That is not the serious part of the problem. Whether we in CoBank lose the $500 million in loan volume or whether we do not, the serious part of the problem is that in many instances the American exporters who would be involved in the program that we would be financing are not in a position to bid the additional 15 basis points as it costs for the insurance and a foreign shipper will in many cases get the sale of the farm commodity.

The Farm Credit System is supporting a legislative proposal that would correct this technical problem by authorizing the Farm Credit Administration to establish risk-based insurance programs for federally guaranteed loans. I would urge you to support that proposal.

Mr. Chairman, I appreciate the opportunity to testify here today and now or later as you prefer, I would be happy to respond to any questions that you might have.

[The prepared statement of Mr. VanWinkle appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. VanWinkle.

Mr. Haslebacher.

STATEMENT OF AL J. HASLEBACHER, PRESIDENT, SPOKANE DISTRICT FARM CREDIT COUNCIL

Mr. HASLEBACHER. Thank you, Mr. Chairman. First, let me pass on a word from Congressman Stallings who said to tell you that he needed to make some opening statements at the workshop and will be along very shortly. I wanted to pass that on.

My name is Al Haslebacher. I head up our district Farm Credit Council, a regional trade association of cooperative lenders and their stockholders. Our interest in rural development legislation follows the fact that we have been in the rural development business for 72 years. Actually since we were founded, and the mission that Congress gave us and charted for us, is to improve the economic well being of farmers, ranchers, their cooperatives, and rural residents. And that is very much a rural development mission as Chairman English knows.

I am not going to read my prepared testimony because I know you are already an hour and one quarter past the closing time of the hearing, so I will try to summarize several points that I really wanted to make—the guts of this presentation.

The first one, of course, is that we have been in the rural development business, and we have a strong interest in rural America. We have a natural interest because that is our mission. A strong rural infrastructure is necessary for our primary customer base, the agricultural borrowers, to really succeed and prosper. They need this infrastructure as you heard this morning, implement dealers have dropped off from six to two in some towns. We need agribusiness support for our farmers to prosper. And that is the strong reason why we look forward to participating in any new rural development strategies that might come out of this legislation.

Another message as a principal that we would express from the Farm Credit System standpoint is, we do not believe that another bureaucracy is needed in the rural development area. We think that the existing agency's organizations with fine-tuning, maybe changing a mission a little bit, can adequately handle any new initiatives that there are.

Another point would be that the Farm Credit System has not seen its mission in rural America change to the extent that agricultural and rural agricultural businesses have changed in the last 35 to 50 years. We are still the only lender committed primarily to

rural lending. That is our primary focus. When you look at our mission to improve the economic well-being of farmers, it takes a little broader service than just the extension of credit from the National money markets to the farmer to accomplish that mission.

So we are saying that as this program develops, and as the Senate and the House bring their versions of rural development legislation together, we would like to see the concern on the House Ag Committee be that the Farm Credit System, have a level playing field in that development process, if there are new avenues, new approaches, to lending to facilitate rural America; particularly, agribusinesses.

And then to get specific for you, within our existing authorities in which we are loaning to rural America from the traditional farm operation to the rural businesses; we have been authorized since 1971 to loan to processing and marketing facilities. In that legislation, which grew out of an agricultural commission composed of people from farm organizations, universities, the authority for this processing and marketing lending was established but with a "through put" requirement. There is a 20 percent "through put" requirement on such facilities as a grass seed cleaning plant or an apple packing shed. So we find ourself in the curious position oftentimes of financing the construction in the beginning operation of a processing and marketing facility for a bona fide farmer who has the required "through put" but also handles some processing for fellow farmers and ranchers. And pretty soon his custom operation grows past the point where he supplies 20 percent of the raw product and we can no longer finance that operation. So we think that 20 percent "through put" restriction needs to be looked at very seriously within the existing authority.

Another area that would aid in rural development is our existing authority to make loans to farm related businesses—agribusinesses. And there are some words in that authority that says, "on farm." I can think of a specific case in the State of Washington of a veterinary business with a clinic but also making on farm calls doing large animal work. The way the legislation and the regulations are written, a certain percentage of that income—a majority of it—has to be generated from that "on farm" operation thus restricting loans to most veterinarians. So here is an area within an existing farm credit authority that we think needs some fine tuning to make that authority more usable in the rural development process. There are many service businesses that could, and would be, better served by the Farm Credit System if the "on farm" restriction were modified and we would like to see the Ag Committee take a look at that area.

Another area that falls into the rural development category is the rural housing lending authorities of the Farm Credit System. Since the 1971 act, we have made something like 60,000 rural home loans. But in the Farm Credit System we have a definition of a rural area as being an open space or a small town up to 2,500 when other definitions at the Federal level—Farmers Home and others—are at a higher population level. And so for consistency and for ability to serve better, we would suggest that a look be taken at the definition of rural area.

Now, those are three specific existing authorities that we would like to have looked at in the process of any rural development legislation. Now, as a principal, I would like to throw out this concept. The Farm Credit System wants to remain committed to its primary clientele, and that is the producer or rancher, and we do not want to take on new lending authorities that would damage our ability to carry out that primary mission. But that does not mean that there is not room to be involved in agribusiness lending.

Now, the point that I am getting to the long way around, is the fact that whether it be a farmer or an agribusiness, if it is a marginally capitalized operation or one that does not have any track record—be it a town that needs a water system or a private business—those loans, frankly, really do not fall into the bankable category unless they have a guarantee. The existing guarantee programs like SBA, which we are unable to utilize, and the Farmers Home Administration, which we are, are excellent concepts. However, the restrictions that are built into that guarantee just on farm loans make it very difficult to fully utilize. That type of a guarantee is going to be needed to facilitate rural development lending, and we would suggest strongly that the guarantee program be looked at and overhauled to the point that it will facilitate loans by all lenders and groups that do finance rural development operations. Not just solely for the Farm Credit System. I know the trend of the present administration is to scale back the effectiveness of that program even more by increasing the guarantee fee and reducing the guarantee level. And I just throw that out as a very significant thing where improvements could be made in that area.

I would be remiss if I did not support Mr. VanWinkle's comments on the rural development lending authorities for water systems and so forth, for the bank for cooperatives system that was passed in the Senate version of a rural development bill, but also to note that the Farm Credit System's position is that we would like to see that authority expanded to the farm credit banks and associations in the House version in order to fully take advantage of the distribution network of the Farm Credit System.

Those are some of the key points that I made in my written testimony, and I would just reiterate that the Farm Credit System, has a strong interest in rural America, and we stand ready to help in any way that we can on a logical sound basis.

Thank you, Mr. Chairman, for the opportunity to make some comments here today.

[The prepared statement of Mr. Haslebacher appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. Haslebacher.

Mr. Hawkes, what do you think about what Mr. Haslebacher was suggesting? Do you support those proposals?

Mr. HAWKES. Not in its entirety, no.

Mr. ENGLISH. What would you disagree with?

Mr. HAWKES. Well, I think that there is obviously competitive advantages given the Farm Credit System with regard to lending to agriculture. And there are numbers of areas that independent banks such as my own, have an opportunity to fulfill. I do not see

that need being taken care of by allowing one to advantage themselves in relation to another organization.

Mr. ENGLISH. What specifically did he propose?

Mr. HAWKES. I think that the ability to raise funds at a lesser cost is considerably greater in the Farm Credit System than it is in the bank. I think there are numbers of things that can be addressed in the concept of industrial development and economic and rural development done by a small bank. It needs a whole lot more attention given to. So in seeing the Farm Credit System's track record, I do not know that they are able to deliver that.

Mr. HASLEBACHER. Mr. Chairman, may I make a short response.

Mr. ENGLISH. Sure.

Mr. HASLEBACHER. I would just note that when you look at track records, you have to look at the long pull. And the long pull has been a very respectable record. And I would also want to note that Congress has seen fit in the 1987 legislation to create a "Farmer Mac" to provide a method for the commercial banking and insurance industry to compete in the real estate end of lending in rural America and farming, and that in any new authorities that are developed in the rural development area, it would only seem prudent if that is a good principal in the real estate area to carry that farther into other program areas thus indicating competition is good in all fields.

Mr. ENGLISH. Would you support that, Mr. Hawkes?

Mr. HAWKES. Not its entirety. I have a difficult time with Farmer Mac. For example, in going through the farmers in my area who I thought may or may not qualify for Farmer Mac, I may have two farmers who qualify for Farmer Mac in the totality of my lending portfolio. We have a lending portfolio of roughly 20 million dollars' worth of credit. I am roughly a $40 million bank. In its narrowest context, 40 percent of those are ag credits. In actuality, 100 precent of them are ag credits because they are all ag related. I make a loan to the man across the street in the business and he is dependent on agriculture to make ends meet. So if you are going to say to me, look, Farmer Mac is going to give you an opportunity to compete, it ain't.

Mr. ENGLISH. Why won't it do that? You say you only have two customers that qualify, why won't they qualify?

Mr. HAWKES. Why won't they? Well, one is a cash-flow problem. In my area, we are pretty limited in what we raise. We can raise wheat, barley, alfalfa, and beef. And so we do not have large numbers of people who are going to be able to qualify in the cash-flow basis. My problem with making the loan in the bank is I can get by the bank examiner, but I must meet the underlying criteria immediately for Farmer Mac in order to put that loan on the market. My point is, I can get the cash-flow a whole lot narrower with the bank examiner than I can with Farmer Mac.

Mr. ENGLISH. I guess I am having—the criteria—has the criteria come out yet with regard to secondary—I didn't think it had come out at all?

Mr. HAWKES. Yes.

Mr. ENGLISH. It has?

Mr. HAWKES. Yes.

Mr. ENGLISH. OK. And what specifically is it in that criteria that is more stringent than what you face with the bank?

Mr. HAWKES. Well, again, the percentage of this cash-flow in relation to debt, for example.

Mr. ENGLISH. What does that require?

Mr. HAWKES. Again, do not hold me to the exact number. These are just the qualifications that I have read. They are talking about being somewhere less than 40 percent worth, and the cash-flow must justify that. To begin with, there was no allowance for off-farm income. Now there is allowance for off-farm income which will enhance the ability to lend through Farmer Mac. What was qualified as "farm" was a very narrow definition, and now new proposals have had some expansion in that. But again, with regard to how long these people have been there and their cash-flow ability, and the size of the credit, was another one. As I recall the minimum size of credit was $100,000.

Mr. ENGLISH. Can you pool that though? Can you pool together packages of loans?

Mr. HAWKES. Yes, but you are talking about one individual. I can pool loans to sell, but the problem is one individual in order to qualify for the Farmer Mac has to have a certain dollar size or it is not profitable for those people who pool and sell.

Mr. ENGLISH. What number—what percentage of the loans do you have that would be in that $100,000 or greater category?

Mr. HAWKES. Maybe 20 percent.

Mr. ENGLISH. About 20 percent.

Mr. HAWKES. Now, again, those numbers have changed drastically. And the reason they have is because we have participation of the Conservation Reserve Program. And so those people who traditionally came up and lined up large lines of credit can no longer do so. They bid their land in at $40 an acre and they reap the rewards of $40 an acre, and leave their machinery sit idle, and they will do so for the next 8 or 9 years. So it is a great impact to me. For example, you hear people here say that there are not funds available. Not necessarily so. They may not be qualified borrowers under the stringent requirements laid on by the regulators and law, but there are qualified borrowers. My loan to deposit ratio is 50 percent. I would much rather be in the 60 to 75 percent category. But I am unable to find the qualified borrowers to do so.

Mr. ENGLISH. Well, we are going to take a look at the Farmer Mac thing next month. That is the reason I was asking.

Mr. HAWKES. I am sorry that I am not more——

Mr. ENGLISH. You are fine. It is just the whole idea is to make this thing workable. And certainly Rich played a big part in that and bringing that about, and I know he wants to make sure that it works. So we kind of need to know where the problems are. We have to get right the rules and regulations that may or may not be in keeping with the original intent of the law. And we kind of like these things to stay within the intent. It kind of helps follow along in what we intend to do when we pass a law.

Mr. HAWKES. One of the problems that is very difficult for us in particular in relation to Farmers Home Administration is that they have become a bureaucracy. It becomes awfully tough to work through. And I do not know that the concept that was initially

started is not right. By the time it gets down to the administrative part of it, it is awfully difficult to deal with. Farm guaranteed loans are another situation that is awfully difficult to deal with.

Mr. ENGLISH. Why do you figure that is?

Mr. HAWKES. Well, I do not know. I think pride enters into it in a number of instances. For example, the Farmers Home guy knows the borrower he is dealing with. And then all of a sudden he finds that he is forced to deal with them on circumstances he would prefer not to. And so, it is boloney. For example, the appeal process, I think it is a classic example. If you came to my bank and borrowed money and you went to the loan officer in any of my offices and said I want to borrow money—he would turn you down. He said, well, you can appeal. You can go to the president and tell him. I will guarantee I am not going to overrule the loan officer unless I can see that there is absolutely some moral or ethical reason to do so. But you see you get to a point of pride. That is exactly what happens there. You say, look, I make the loan and—I will not make the loan and my friend is going to review you, you see.

Mr. ENGLISH. What would you do if you had a loan officer that said he did not believe in making loans?

Mr. HAWKES. I would fire him.

Mr. ENGLISH. Well, what if he got hired by a guy with the same philosophy?

Mr. HAWKES. Well, obviously, you have a problem there.

Mr. ENGLISH. That is right.

Mr. HAWKES. But from the standpoint of profitability which is the motivation factor for being in the business, you are not going to have someone who does not make loans.

Mr. ENGLISH. You see, that is a little different problem than we have in Government. That is the difficulty.

Mr. HAWKES. That is exactly my point.

Mr. ENGLISH. The thing we get into with Government is that there is no proper motive in it. And you are not assured that people that get appointed to run programs believe in the programs. That is, I think, an assumption that a lot of folks make, is they assume that because some guy gets appointed to head up Farmers Home he believes that it is a good program, it ought to be used, and he wants to see that all the folks at Congress that intended to be helped, get help. But we have kind of found that we have run into a different situation in Government. We find that people who may not—not only do not care, but they are downright hostile to it. They do not believe there should be any such program. And they get appointed to run it. Now, that is where we run into some real problems. On one hand Congress intends a certain thing, a certain program, whatever it may be. But we get into a situation, people get appointed and do not believe the program should be there in the first place. And they are going to do everything they can to keep that program from working. Even to the point that some of them get about as close as you can to breaking the law in trying to keep that program from working. And the question I asked you is what do we do with those kind of folks?

Mr. HAWKES. Well, again my solution is rather easy. Fire them.

Mr. ENGLISH. We cannot do that. The man that hired them is the President of the United States and that is what he believes. What do you do then?

Mr. HAWKES. Make him accountable at the ballot box. Just like you are. If you do not do what you are supposed to do, they will fire you.

Mr. ENGLISH. You folks listening to all this now? You got that, now?

Mr. HAWKES. And that is why I say the bureaucrat ought to be accountable at the ballot box.

Mr. ENGLISH. Now, wait 1 minute. I do not want to get unfair about this because this is not a bureaucrat. This is a political appointee. He can be fired by the man that hired him. I do not believe the President of the United States, but all those folks that work for the President that appoint all these folks. That is the thing that you get into. And you are right. And I guess what I am trying to get down to is you get what you vote for.

Mr. HAWKES. No question.

Mr. ENGLISH. If you come down and because you like the way the guy smiles, the way he parts his hair, or the way he talks, you better also be sure that you agree with what he is trying to do because once he gets an office, he is going to try to do it. And you should not be surprised if he tries to do it when he tells you he is going to do it. And somehow at least in other parts of the country I find that connections are not getting hooked up there. They do not understand that. And that is what I—the reason I am kind of on to this. I chaired an oversight committee for 8 years, so we are very well acquainted with that—going through various programs. And this is not true just in Farmers Home Administration where I think it has been the case. We have had the same things over REA. We have had the same things with numerous programs set up by the Federal Government. And it gets to be a real problem. And it makes it difficult for good programs to work. And if I had my way about it, quite frankly, I would have a requirement. The guy has to believe in the program before he gets to head it up. That would be rather unusual and unique. But it might work better that way if the guy supports the program that he is heading up.

Mr. VanWinkle, you mentioned the agribusiness support, and I agree with you on the agribusiness thing.

And Mr. Haslebacher, I think you mentioned the same thing. The importance of that. How much of that loss of agribusiness, whether it be the local implement dealer or fertilizer dealer or whatever, can be of people, just low-farm pricing? If you do not have any money, you cannot go buy those implements, can you?

Mr. HASLEBACHER. Well, Farm Credit System lending problems were very heavily tied to the 1980's depression in agriculture which was actually worse than the Great Depression of the 1930's. That is right. There were not any profits for the farmers to upgrade their equipment. And it added to their cost of operation as they had to go farther and farther for parts and supplies, thus the loss of all equipment dealers was a very negative thing. It was a two-fold negative thing. Convenience and cost.

Mr. ENGLISH. A lot of country banks, Mr. Hawkes, and of course, the Farm Credit System had their problems. How many of those

problems do you figure, Mr. Haslebacher, with farm credit were tied to low prices?

Mr. HAWKES. You are addressing the question to me?

Mr. ENGLISH. Yes, I will go with you and then Mr. Haslebacher.

Mr. HAWKES. Ask the question again.

Mr. ENGLISH. How much of the difficulties that we saw—we have a lot of banks, for instance. I am very familiar with this. My goodness, I had three national banks in my hometown. All three of them survived the Great Depression. They got all three of them in the 1980's. Wiped all three of them out in a town of about 3,500 people. A very wealthy area. I do not think you all got hit quite that hard up here. You did not have oil as heavily as we did down there. How much of that would you figure is tied to low prices? Whether it is energy in my part of the country or low-farm prices here?

Mr. HAWKES. Well, in addressing low prices to me there are two things that must be taken into consideration. Obviously, low prices are the major single factor. But beyond that is the spiraling cost of production. For example, oil prices. I mean, I farm. I got diesel tanks on my farm. I filled those diesel tanks the last time for 49 cents. Now I am looking at filling those tanks again, and I am looking at close to $1 or better at this point. That is a major consideration and prices are absolutely out of line.

Mr. ENGLISH. I would—of course, a good deal of that is getting imported. Not even to produce domestic, so it does not even—Mr. Haslebacher, how much of the farm credit problems are due to low-farm pricing?

Mr. HASLEBACHER. Mr. Chairman, I would say a good two-thirds plus, maybe higher would be due to the low-farm prices and high cost of production, and I would have to candidly say that there is a segment of the problem that was primarily because of overexpansion in the 1970's. I mean, they took on too much debt with or without the blessing of a lender or an extension agent or a Government advisor.

Mr. ENGLISH. No, now, wait a minute, Mr. Haslebacher. I am not going to let you get off on that one. Let me tell you a little about the Farm Credit System I have down in Oklahoma. My father worked down there since the 1930's. He retired in 1975. So I know a lot of the guys that are in the system particularly in that part of the country. And I remember back in the late 1970's when all this expansion is taking place, and seeing the farm credit magazines. Do you know who was on the cover of that? Do you know who the managers were that made the cover of that? They were the guys that were making the most loans. They were the guys that were aggressively going out and saying, guys you got to make more loans, you got to make more loans, and encouraged them to take those loans on. I heard tales come in to me about guys that go to farm sales, and the local Federal land bank guy would go out there locally and he would tell everyone, well, we'll finance it, you buy it. And they were bidding against each other. So whoever was going to end up with the land, Federal land bank was going to finance it, and they just kept bidding up the price. So I do not think that we can say that the credit folks did not have a good deal to do with

that. And, Mr. Hawkes, I am not getting into bankers but I know a few of them that jumped into that kind of a deal too.

Mr. HASLEBACHER. Mr. Chairman, if I may say so. There is more than enough blame to go around, but we would have to look at Government policymakers, university economist advisors, county extension agents, lenders, and farmers. Let me relay a personal experience. In our area, in the Palouse country, the run up in land prices occurred in the early 1970's when wheat hit $6.25 a bushel. About 1974, I sat at an agribusiness luncheon of the Washington Wheat Growers in Spokane—the only nonfarmer at the table—and asked the group: What kind of long-term wheat prices are you using as you buy this land that went up from $500 to $2,000 an acre in 5 years time? And they looked at me like I had come from Mars and they said, what do you mean long-term wheat prices? We think wheat will be x dollars this fall, and with x dollars we can repay 20, 25, 30 percent of the purchase price. That is how we look at it. So while lenders have plenty of blame to share, so do farmers. And there is enough blame to go around I guess, is the moral of that story.

Mr. ENGLISH. Now, I want to come around because I want to get back to the one you did mention, and you are kind enough not to come back and hit it again. That is Government. I think that we changed policy, didn't we——

Mr. HASLEBACHER. That is right.

Mr. ENGLISH. In the early 1980's. The idea then was not so much to try to keep a balance between supply and demand and we pretty much abandoned the objective of trying to make sure that market prices were above the support level so it does not cost Government any money, and the farmer is doing well, we abandoned all of that. And we decided what we are going to do is try to run all these other guys out of business, didn't we? We were going to take all these other folks that are beginning to get into producing agricultural commodities for export overseas, and we are going to run them out of business because we are going to drive the price down so low they could not compete with it. It just about ran us out of business. And we are just about the only ones that got run out of business I think. It did not do too much on the other side. But the Government policy falls into that a good deal.

Mr. HASLEBACHER. I think you are right.

Mr. ENGLISH. And you were kind enough not to come back and mention it, but I wanted you to bring it out so I think you are absolutely right. And I think we have to recognize and understand that any way we go, particularly when we are a rural community. We got a lot of folks in rural communities who feel like, well, that, we are independent. And we do our own thing. We go our own way. And I am an independent business man. And I do not suppose there is anybody that gets affected by Government more than agriculture and people who depend on agriculture because if it is not our Government, it is going to be somebody else's government because we are dependent on world wide trade. That is where the rub comes. And unless there is a strong recognition tied to that I think we have a problem. I did not mean to go on so long about that but you guys kind of got me started down the road on a couple of things.

Mr. STALLINGS. Hit a hot button?

Mr. ENGLISH. Richard, I am sorry, please.

Mr. STALLINGS. That is fine. These are very confident individuals.

Mr. ENGLISH. Well, they are indeed. I am impressed. I am indeed.

Mr. STALLINGS. I have no questions. I appreciate their candidness. I know that I talked with Blair on a number of occasions and he is always very candid. Sometimes too candid but he has been a very, very wise banker, and I think the record speaks for itself. And of course, Al and Mr. VanWinkle are very confident in their areas, and I think they have added a lot to our hearing.

Mr. ENGLISH. Yes, indeed. I agree. Thank you all very much. I appreciate your testimony, and we will try to make sure that the guys that get in running this thing are people that support the program. Thank you.

Mr. STALLINGS. Our next panel is a little larger, but just as capable. Gary Fuhriman, Idaho Farm Bureau; Steve Goodwin, National Farmers Organization; Don Johnson, Idaho State Grange; Pam Baldwin, president of the Idaho Rural Council; Boyd Munns, Utah-Idaho Farmers Union; Bud Tracy, from the Raft River Rural Electrical Cooperative; George Mangan, Fall River Rural Electric Cooperative; and Leonard May, Rockland Rural Telephone Co.

Mr. ENGLISH. Mr. Chairman, if I may. I know it is not necessary, but again, I want to reiterate please feel free to summarize your testimony, and we will get the written testimony in the record. So if you can just hit the high spots on it, while we will get the rest of it on the record and get it taken care of for you.

Mr. STALLINGS. Ladies and gentlemen. We welcome you to this hearing. We appreciate your willingness to come and participate with us and the time you have put into your testimony. We look forward to hearing what you have to say, and again, as the chairman stated, if you will summarize and stay as close as you can to the 5 minutes, it would be very helpful. Our first witness, Mr. Fuhriman, is with the Idaho Farm Bureau from Pocatello. And again, Mr. Chairman, the Farm Bureau is probably the largest of the farm organizations in Idaho and a very significant player in the development of Idaho farm policy.

Mr. Fuhriman, if you would like to start.

STATEMENT OF GARY E. FUHRIMAN, DIRECTOR OF COMMODITIES, IDAHO FARM BUREAU FEDERATION

Mr. FUHRIMAN. Thank you. It is an honor to be able to represent the 29,000 members of the Idaho Farm Bureau here, and we are glad to have you here. We have heard a lot of comments today concerning a lot of problems pertaining to agriculture. And as you gentlemen go back now and enter into the negotiations so to speak of putting together a rural development thing in a new farm program, I would just like to remind you that as goes agriculture, so goes the rest of the Nation pretty well. And keep that in mind in all the things that you do in putting these things together.

The Idaho Farm Bureau is a general farm organization and as such, work with any of the problems that do arise pertaining to any of the members of our organization. And there is one problem that has arisen here within the State and within all of the Nation I

am sure pertaining to the Farmers Home Administration; and that is what we would like to address here today.

As you know, the Farmers Home Administration after several years of moratoriums on foreclosures started proceedings against 60,000 borrowers in November 1988 by filing delinquency notices. We understand that this is necessary. And we encourage the FmHA or any lending institutions to take care of this property in an accepted practice until they just dispose of this property. It is a terrible thing to see land that was once in production, or a productive farm, become nothing but a weed patch while the lending institution is trying to decide what to do with that property. Once foreclosure is completed and the Farmer Home Administration acquires title to this property, it may transfer the property at a reduced rate or at no cost to the U.S. Fish and Wildlife Service or other wildlife and conservation agencies if they meet a number of general conditions. Since the transfer authority is fairly broad and the number of farms in the inventory is likely to double or triple in the next few years, this number of transfers could increase to several thousand.

As you are very well aware, more than 60 percent of the land at the present time in Idaho is owned by the Federal Government. Many of our counties have very little private land to provide the tax base for needed services.

Due to the depression of agricultural commodity values during the last several years, considerable land has been acquired by the Farmers Home Administration by abandonment and by foreclosure. In fact, Idaho's FmHA director reports that there are approximately 170 parcels of land comprising 42,825 acres in Idaho's FmHA inventory at the present time. All of these lands have previously been private lands, and they have been bought by individuals using Farmers Home Administration money. Now, with these lands in a Federal agency inventory, they could ultimately end up in another Federal land management inventory, and thus be dropped from the respective county tax rolls.

There are not provisions for a third part input into the determination of these transfers, as it is between the Farmers Home Administration and the agency with which the land they would like to acquire.

We would like to recommend that a third party of local officials be involved in the determination of these transfers.

The Idaho Farm Bureau is also very concerned about the future of these inventory lands. We believe these lands should be sold back to the public, if at all possible, so that they can remain on the county tax roles.

When these lands are sold, they should be appraised by a reliable appraiser and a minimum value set on each parcel of land. Unless a value is established, a total open auction could result in a serious erosion of the market value as well as the assessed valuation of surrounding lands.

In the event that these inventory lands are not saleable to the public and are eventually turned over to another Federal management agency, payment of taxes or similar reimbursement to the county should continue in order to stabilize rather than erode that tax base.

A maximum impact scenario which it seems like the Government uses all the time on all of the pesticide programs and everything else, why they go with the maximum scenario; but using this, the maximum impact scenario would be for all lands and inventory to be transferred, although this is very unlikely. Thus, approximately 16,000 farms with 5 million acres of land might be considered a maximum. Multiplying this by adjacent lands surround the properties by a factor of four would give an indirect impact on 64,000 farms with over 6 million acres.

On behalf of the Idaho Farm Bureau, we urge you to work with the National Director of the FmHA to create realistic rules that would put these lands into beneficial use, but maintain a landowner control over these lands.

Thank you.

[The prepared statement of Mr. Fuhriman appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. Fuhriman.

Mr. Goodwin.

STATEMENT OF STEPHEN B. GOODWIN, NATIONAL DIRECTOR, NATIONAL FARMERS ORGANIZATION

Mr. GOODWIN. Mr. English, Mr. Stallings. I appreciate the opportunity to appear before the hearing at this time and present some of my views on a subject that I feel very strongly about. The development, revitalization, and reorganization of rural America. The need is urgent and the time for action is past due.

The National Farmers Organization has representation on the board of directors from all areas of the United States, from Vermont in the Northeast, to Georgia in the Southeast, to Texas in the South, California, Oregon, and Washington in the Far West, as well as across the Midwest from Montana, the Dakotas and Nebraska to Ohio and Pennsylvania. I feel I have a broad base from which to collect information.

From all areas the reports are the same. For too long rural America has been drained of its economic energy primarily due to low prices for farm commodities. Businesses have closed. School enrollments are down. Church windows are being boarded up. Couple this with the outmigration of tens of thousands of the best educated young people America can produce gives us an idea of how serious the situation is.

I think it would be most difficult and unwise to try to handle the revitalization of rural America without giving some thought to how development efforts and an improved farm economy might complement each other.

I recommend a change of course in the upcoming 1990 farm program legislation. Thoughts should be given to increasing loan rates on the major grain crops as a low-price safety net and then reducing direct payments in an effort to relieve some of the deficit pressures on the Federal budget. I suggest any effort to develop or revitalize rural America without prices from farm commodities at profitable levels will be futile.

This brings us to another issue that is presently being discussed and needs attention, trade negotiations. We in the National Farm-

ers Organization are not interested in export market expansion at the farmers expense. That is, entering into trade agreements that price farm commodities below the cost of production. We are convinced that the possible development of multilateral commodity trade agreements at acceptable price levels should be undertaken, but should be conducted independently of domestic program policy.

Though I feel that an economically strong farm economy must come first in revitalizing rural America, there are other ideas we can consider, such as setting up local rural development committees to help establish priorities and identify opportunities to develop new or revitalize local enterprises that would make a contribution to economic stability in their community. Their efforts could be supplemented by organized support from business leaders and local organizations.

This approach could be valuable in gathering information on what types of small industry, business enterprises or services might be attracted to their area. They could also help identify credit sources, technical and/or financial assistance that might be available from Federal, State, or private sources.

Perhaps the greatest contribution the local committee ideas would make would be to bring together the broad-based support so necessary that any such local projects need.

I purposely did not get into a lot of detail. I just wanted to give you a few of our ideas in a general form that might serve as a starting point for the massive effort we hope will be forthcoming. And the job will be massive. It will take huge amounts of thought, money, and work. The people in our Washington office will always be available to give assistance. Feel free to contact them any time they can help.

Again, I want to thank you for the opportunity to appear before this committee and comment on this very important issue that is facing our industry. I am grateful that Congress is taking a serious look at it.

Thank you.

[The prepared statement of Mr. Goodwin appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Steve. I appreciate those comments.

Mrs. Baldwin, from Idaho Rural Council.

STATEMENT OF PAM L. BALDWIN, PRESIDENT, IDAHO RURAL COUNCIL

Mrs. BALDWIN. This is not quite as frightening as the oversight hearing I had to testify at in Washington, DC.

Mr. Chairman, Congressman Stallings, my name is Pam Baldwin. My husband Bob and I have a dairy in Meridian, Idaho. Today I am speaking as president of the Idaho Rural Council on behalf of our board and our membership. The Idaho Rural Council is a member of the National Family Farm Coalition of which I am sure you are aware.

We are a statewide farm advocacy group, but when we formed our organization, we purposely called it rural council rather than farm council because we are very concerned with the connection

between a healthy farm industry and the survival of our rural communities.

We become increasingly alarmed when the discussion of rural issues minimizes, and in some cases, ignores the importance of agriculture. While only 2 percent of the Nation's population are farmers, over one-third of the country is still rural and depends on agriculture. As that industry weaves and bobs in an effort to survive market turmoil and fluctuating commodity prices, the trend of economists and planners is to ignore agriculture and search for something more stable on which to pin its economic hopes.

You need only to look at the rural development legislation to confirm this. For new and burgeoning businesses you would build better sewers, water systems, hospitals, and schools, but we must also build new life into traditional industries which also need this support.

We would support utilizing the numerous agencies and organizations already working in our communities. They are most familiar with the local needs, talents, and skills that are available for rural economic development.

We are delighted to welcome large and small business development, but the proposals aimed at these sectors prompts a "them or us response." Instead, we would encourage you to support both in a single package.

Food production is indispensable to this country. But consider our current farm policies. They specifically discourage small farming operations by lowering loan rates and allowing major multinational corporations to buy cheap and control the market.

These policies are forcing farmers off the land. In Idaho alone, over 1,500, and I think the Department of Agriculture said 2,500, operations have gone out of business between 1987 and 1988.

Our agricultural industry is in trouble. Some say the crisis is over and certainly for several sectors it has improved, but what happens if it begins to rain again? These prices are based not on sound farm policy, but on whims of weather patterns.

With the loss of farmers we become dependent on food distribution determined by the whim of international food cartels and the production capabilities of countries from whom we will need to import our food.

If we set up agriculture to fail, there are a few options for a State like Idaho, but to replace the production of products with service industries—not a tradeoff in the national interest.

Ironically, because farming is in an economic slump, many farmers and their wives have off farm jobs to subsidize their food producing efforts. It is not much fun to work a 60-hour work week on the farm and then try to squeeze in a 40-hour work week in town, if there is a job. In light of this, new local jobs are welcomed, but would it not be simply better to allow a food producer to succeed at his chosen profession, and earn enough at it to support his family and filter local dollars into the local communities.

There is little in rural economic proposals at the State or national levels that would lead farmers to believe that their industry will be enhanced by these measures. We are highly supportive of developing business opportunities, establishing business support centers to assist new rural businesses, encouraging the extension to ad-

vance telecommunications, computer technologies, and to assist in economic analyses; but this begs the basic issue. We must have a healthy agricultural sector where competent, hardworking families can receive enough income to become part of the rural revitalization process.

We submit there are some very basic steps you can take to support our farm industry in a rural economic development package.

First, we would strongly recommend that legislation encourage the use of agricultural by-products, particularly, in developing energy resources for the Nation.

Energy independence should begin in the farm fields. Despite lip service paid to using agricultural by-products as an alternative use of fuels, little has been done to make this a wide spread reality. We would like to see rural revitalization efforts promote this concept so that we could reduce our dependency on finite energy resources, achieve greater energy independence for the entire country, and contribute significantly to the stability of agriculture.

Second, we encourage strong support for an effective, adequately funded mediation measure that would free up local and financial and professional resources now draining community energy into legal battles.

Credit policies should never have run rampant as they did in the 1970's when both Federal and commercial lenders demanded you get bigger or get out. Thousands of farm families have paid dearly for this policy. I am very sorry the bankers left. In Washington, they had to testify after us so they had to hear the farmers. In fact, all the bankers that were here testified against our attempt at getting mediation through State legislation in Idaho. And one banker, in fact, said that he did not need agriculture for his bank. And he just said today that 100 percent of his loans depended on agriculture, so it was very interesting to me.

We would recommend an effective mediation program adequately funded to allow borrowers and lenders to settle remaining loan disputes. They are more numerous than we would like to admit, and fear there will be many new problems as a result of restructuring under the Agricultural Credit Act.

The mediation measure in this legislation is irrelevant for States like Idaho with no program. And although we may propose a State effort, the constant struggle for funds at the national level, leads States to shrug and say no money, no interest. An effective mediation program could eliminate months of dispute and legal battles and allow that effort to go into producing products and supporting local economies.

Third, we recommend the concept of a young farmers program that would provide incentives for young people to return to the land instead of moving into higher paying professions.

Nationally, the average age of today's farmer is between 55 and 65 years of age. Until we have fair, stable prices for our commodities, we will need incentive for young people to stay or come back to farming. There are existing programs such as one with FmHA that could serve as a starting point for this effort. But economic incentives could be coupled with educational and conservation opportunities, which would not only enhance the farming operation, but the community as a whole.

New farmers might be expected to have academic skills as well as on the ground experience to qualify for reduced interest loans or other incentives. They might be required to demonstrate soil and water conservation practices, and work on low-input agricultural pilot projects. Encouraging a new generation of educated professional farmers could breathe new life into communities as effectively as any other measure proposed in the rural economic development plans.

Fourth, we urge you to strengthen our public interest research institutions such as land grant colleges, through incentives or fundings so there will be a reliable center for technological information in the public interest for our rural communities.

Today there is little such funding or support for serious agricultural research which has forced our scientists and technicians to take grants from chemical and pharmaceutical companies that have a lock on existing research. Farmers only have information on chemical use provided by companies who manufacture them and have a stake in their promotion. There is no neutral source researching the economics and safety of farm products. This kind of comprehensive information in agriculture is indispensable if we are to strengthen our industry and to encourage wise use of resources within our communities to protect our environment and ground water for future generations.

We respectfully submit this testimony hoping that the committee will look beyond the development of the new entrepreneurial efforts when it comes to revitalizing rural America. We need new better roads, sewers, schools, and hospitals. But we also need a healthy agricultural industry in the United States. We need prices that will allow farmers to earn a decent living, and we need to employ techniques such as those listed above to support this vital industry and the communities it sustains.

We appreciate the opportunity to present these ideas to you, and we really appreciate your interest and support.

[The prepared statement of Mrs. Baldwin appears at the conclusion of the hearing.]

Mr. STALLING. Thank you very much.

Mr. Munns.

STATEMENT OF BOYD W. MUNNS, PRESIDENT, UTAH-IDAHO FARMERS UNION

Mr. MUNNS. Thank you Congressman Stallings. Congressman English, in your opening remark you said this was a very important gathering and I agree. I will try to talk slow and see if I cannot last 5 minutes.

In the beginning I would like to say a strong ag economy will be the very best thing that ever hit rural America. And this should be kept in mind. Basically, I think that is what we are talking about. All the programs we got will not duplicate or strengthen any more than a strong ag economy. And we do welcome you to the very great State of Idaho.

I am Boyd Munns. I am the president of the Idaho-Utah Farmers Union. And on behalf of the members of the two State organization, I appreciate this opportunity to submit recommendations re-

garding the critical issues of rural development. And I would like to commend you for being here, because it is an important thing. To being with, I am a lifetime farmer. I operate a diversified farming organization right down on the Idaho-Utah border; 700 acres of irrigated ground and a couple thousand acres of dry land along with 100-cow dairy and 150 heads of cow calf. And I am president of a two State organization here, and perhaps you are familiar that Jack Kelsy is president of the Oklahoma Farmers Union, a good friend of mine.

There is a definite need to revitalize rural America when we figure we have lost 1,250,000 producers in 1986 and 1987, this is a lot of farmers to lose in such a short period of time. The deterioration is continuing, a problem here in the States of Idaho and along with Utah, that nearly two-thirds of the area is federally owned or controlled which limits our tax base. Some of the areas of great concern is the health care and hospitalization. It has been mentioned several times and I do not think we can mention it too many times. Education, they are all deteriorating across rural America. And if the policies toward communities and the ag industries which has been supported for 200 years by agriculture and not continued, we will all become second-rate citizens, and some of them already are now economically.

Much of Idaho has such limited variety of crops that has been alluded to here. Franklin County up around Driggs and that area that hay and grain and small commodities are such a small diversification are not blessed with the grow crops and the ability to go from different crops like you do in the Magic Valley and out in Casion and Menandoka Counties. And so our economy is limited somewhat in a number of areas.

The renaissance of many of these rural communities experienced in the 1970's as a result of those seeking an improved quality of life, has faded leaving behind, and has been alluded to a lot of boarded up Main Street businesses. And this is a sad thing. And we see it all across the West here. During the event of the 1980's seemed like a bicoastal economy developed and kind of left us out in the heartland here in America. They kind of forgotten us. And this is where a lot of decisions are made. And the urban people do not want this and they want that. And our extension man told us we educate these good young people, they move to Seattle or some place, I have to agree with him that somehow we need to share the wealth. It has to be done legislatively and get some of this economy back in there, the dollars back out here, this is what we need to do.

One of the ways to stabilize and revitalize rural economy is by bringing profitability into production agriculture, which I alluded to to start with. If we can get a healthy ag economy out here will just make things roll. And an adequate—and a healthy ag economy would just pump billions of dollars back out here. A farmer will spend everything that he makes, plus all that he can borrow. And he spends it locally. And this is what we need to do. He is dried up, if he is limited, he cannot spend it.

The diversification of employment opportunities would be beneficial in our rural areas. Such opportunities in services, communications, industrial, and professional will be very helpful.

Congress must reaffirm its commitment to rural development. There is little discussion in Congress about a rural development bill. And we have some concern that maybe it would just be a title under a new farm bill. Farmers Union feels that, and we would recommend and prefer, that it be a comprehensive bill specific to rural development. And on this rural development bill, keep in mind that we would like the Department of Agriculture to administer this. They are already in place, and they should be the lead agency, and they could coordinate this with the other Federal, State, and local agencies. This type of action includes such areas as health and rural hospitals, education, transportation, credit, and communications. And the human resource development along with your job training and capital investments enhance this green thumb program. Part of the Older Americans Act. It is in place out here in Idaho and also in Utah, and here is one that is in place that would help the growing economy; and you are pretty young yet, but Richard and I are getting older. He is kind of a kid, but I used to think, gosh, when this green thumb come in, maybe I could be one of the administrators. Well, I am up to where I can be one of the receivers now, and time goes so fast, and here is one I can really work on.

And to wind this up, with the Federal budget and the deficit situation, a major infusion of capital is very unlikely. So we should have a better utilization of existing programs and this could only happen if we could have a comprehensive inventory taking, and then following the inventory and coordination and cooperation of the various agencies.

Research and education will be the key to the success of our revitalization efforts. Research on new products and on new markets for current production will enhance the rural economy. Processing and marketing of these commodities with these opportunities staying in our Idaho rural communities.

I thank you, Mr. Chairman.

[The prepared statement of Mr. Munns appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Boyd. I appreciate your comments.

We move from the farm organizations to the cooperatives. Bud Tracy is the director of the Raft River Rural Electrical Cooperative, very active in helping establish policy dealing with the REA. In fact, we have the two REA's and then the rural telephone. So we are pleased for your participation and for your testimony.

Mr. Tracy.

STATEMENT OF BUD TRACY, PRESIDENT, PACIFIC NORTHWEST GENERATING CO.

Mr. TRACY. Thank you, Mr. Chairman, Congressman. I am confident that the written statements we leave here today may be of more value than anything that I could say here. I feel somewhat like we are preaching to the choir. I think that what I heard from you gentlemen is very encouraging to me that the balance of the committee could be where our input needs to be. So I am confident that the balance of the committee will have an opportunity to read through that. I am actually here today not on behalf of Raft River,

but on behalf of PNGC. PNGC is the Pacific Northwest Generating Co. that represents 28 cooperatives throughout the region in 7 States being served by rural electric cooperatives of approximately 700,000 residences.

I am speaking as the chairman of PNGC. And not only on behalf of agriculture that I speak for as my own utility, but on behalf of the mining interest and the forest interest that are represented by our cooperatives. We share your concern for rural development and are very concerned about what we have seen as an immigration to the rural areas, and then as an outmigration because of economic stress.

The population is not the only thing we are concerned about. And quite frankly as I look at a rural development program, it is extremely important to us to maintain those industries that we have left. That may be the first step before we try to bring in new industry, is keep those people that we have. So as we do that the population is not our only concern. Oftentimes our schools do not have the same breadth of curriculum that our sister cities have as we look at that. How can we bring that to our rural communities. One of the ways possibly to do this would be through some telecommunications effort, some up links, some down links, where we can bring those experts into our schools. Earlier today I heard people talk about how do we keep the people here and how are we going to train a nuclear scientist in Idaho and keep him here versus him going over to some other State or some project. I am concerned about that. I think we need that.

We need to maintain and increase the quality of our teachers. As we look at the teachers in our State and the curriculum, what is there to entice a teacher to come to a rural community? What is there today for them? It certainly is not security. It probably is not the quality of life that they can have. And that is what I see possibly as some of the rural development doing.

We are very concerned about the quality of our medical care. It has all been mentioned. I will not go into any depth, but we need to have some means of attracting good doctors, good quality techniques and instruments, or the availability of these to those doctors to attract them to the hospitals in these rural areas.

Water quality. As we look at water quality, many of the waters that people are using in the rural areas in no way will meet the EPA water quality standards. It is a real concern in the State of Idaho and throughout the region. We believe that the use of some of this rural development could enhance the water quality, thus giving opportunity for additional business to the area. We need to solve these water quality problems.

The final issue is the ideal in rural development as an investment not as an expense when we talk about rural America. Historically, private capital has been attracted to the rural areas only after the public sector has stepped forward to lend a helping hand. The rural electrification is a prime example of how private capital followed the public investment. I think we all know that rural electrification has played an extraordinary role in shaping the lifestyle of rural America.

It is our position that the Federal, State, and local form a partnership. We are not looking for a handout. I think that we need to

be a part of this to make it succeed, such as was envisioned in the Rural Partnership Act, we believe it will create an environment of cooperation among those entities that are interested in helping the rural areas grow and prosper. And I want to make it clear, we are not seeking a Federal handout for this rural development. The programs envisioned in the Senate bill which was recently passed, create revolving funds in many instances and other programs sunset in a 3- to 5-year period. Rural people have a proud heritage of independence and another attractive aspect of our support for programs like the Senate bill stem from our desire to make sure the local communities and the State are required to make an investment in the rural economy through matching funds in these programs.

The cost of developing rural America should actually be viewed as an investment as I said before. The Rural Partnership Act would cost the Federal Government about $300 million a year over the next 3 years. We view this is a reasonable figure. One that will repay dividends to all of America in the long term.

Before I leave that, there is one point that I think is extremely important in my eyes. And that is the fact that most of us here are encouraging rural development through assistance through monetary, financial, guarantees, whatever that might be. But maybe there is another way that we can help ourselves. And I believe that you have asked the mining, the timber, and the farming industry to support this through some of their own economies. But I believe that maybe we ought to look at the expenses. What can we do to reduce the expenses for our farmers, for our miners, for our loggers. As we look at some of the EPA standards, today it was brought up by Mayor Whittom. I look at the small communities I am particularly involved with, the underground storage tank. It is going to dry up some of those communities. I believe there needs to be a segregation of—I believe that there should not be a segregation—excuse me—of authority. We are finding a real problem between the Federal EPA standards and possibly the State requirements. The Feds are saying, you have to put these type of tanks in under these standards. And it is more or less making it maybe monetary prohibitive for people to put in underground tanks. The State of Idaho fire marshall and some of those people are saying, we are not going to allow overhead tanks to go in. What do the people do? Do they do without? These are costly. Maybe reducing the expenses could be one of the most significant parts of a rural development act.

Mr. Chairman, I want to conclude my remarks by addressing some of the comments regarding the role of rural electrification, and the electric cooperatives in diversifying and revitalizing the service areas. We strongly believe that rural electric cooperatives must play a pivotal role in these programs. We believe the track record of the rural electric systems in the Pacific Northwest speak for themselves. We have always gotten the job done well, and while other Federal agencies may have some involvement in rural development, I think you will find that the mechanism for assisting rural America is much stronger in these rural electric cooperatives than elsewhere. In most instances the rural electric cooperatives have been serving these communities for 50 years. We live in these

communities, we work in these communities, and we are committed to the well being of our member owners.

I can assure you that PNGC and its members plan to take an active role in implementing any programs contained in a rural development bill passed by the Congress. I personally believe it was our duty and our responsibility to work to the best interest and the interest of our customers and communities to create the opportunities for us and our children so they can stay a part of the rural fiber of our society. To ignore these problems facing us would be dereliction of our commitment to the cooperative philosophy and to those people who rely on the leadership in those most important areas.

Again, thank you for coming to Idaho and we appreciate your concern.

[The prepared statement of Mr. Tracy appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Bud. I appreciate those comments.

We will now hear from the director of the Fall River Rural Electric Cooperative, which is up toward the Island Park area. Mr. George Mangan, a relatively new Idahoan. It is good to have you here, George. We look forward to your testimony.

STATEMENT OF GEORGE E. MANGAN, GENERAL MANAGER, FALL RIVER RURAL ELECTRIC COOPERATIVE

Mr. MANGAN. Thank you. We appreciate your presence. We appreciate Congressman Stallings and the way he has represented us and has taken an interest in rural America. Congressman English, I appreciate one of the things you mentioned about the fact that you want to see people in there who support the program. We have had too many people who have not supported the program, at too many levels, for too long. It is time to do something about it. We have had some hint that perhaps President Bush is going to change that direction with REA, and we hope that is true. My written remarks are already available and I am going to try to just cover some of the highlights and a few other matters that I think are important to mention.

As a young person I was raised on the farm in rural America. I have lived on farms in Arkansas, Kansas, Colorado, and Utah. Now I have moved to Idaho as general manager of Fall River Rural Electric Cooperative. I am an attorney by profession. I have had a lot of experience with the SBA, the Farmers Home Administration. I do not think they are the proper authorities to be handling this program. We need someone who is really interested in rural America who has some expertise in the development of business. That is one of the things that makes me tremble when it is suggested that the extension service agents are going to be handling this program. I do not know what expertise they have in such affairs. To me it is like asking the ladies aide society to take care of the football team. I do not think they are quite "apt" to do it. They might make a good meal or do good quilting, but I do not think they are the right ones to coach the team.

I have been concerned for a long time about farmers and the fact that they are not getting a fair share out of each dollar that is

being spent on food. But the problem with most farmers is that they are just too independent. They are like the old farmer that I knew once that said "everyone was a bit queer but me or thee, and I am not quite sure of thee." Every farmer fails to trust his neighbor, and as soon as he gets a price he thinks is good enough, he is going to undercut the rest of his neighbors and take the dollar that he is offered and go with it.

Chairman English, you indicated that you used to do some oil and gas leasing. You know how that is done in the oil and gas leasing, you get the neighbor to sell his oil and gas lease, and then the whole neighborhood crumbles from that point on. If they had stuck together, they could have gotten a lot more out of you.

Mr. ENGLISH. Well, let me say very quickly for the record. I never bought a lease for less than top dollar.

Mr. MANGAN. Typically said by a buyer of oil and gas leases.

One of the things that does bother me is the fact that in every level when you put into them a new program, you get resistance to change. I think that is one of the problems we are going to face, no matter who you put their program with, unless they are really given some clear marching orders by Congress; namely, that change is going to take place, and they are going to have to make some changes.

We have talked about this legislation as being a "Rural Relief Act." In effect, rural revitalization. But when you stop and actually think about it, it is an urban relief plan. I say that without my tongue in cheek for years we have been sending millions of our rural young people to urban America. And as a result the urban areas have sprawled in every direction, and its infrastructure is in trouble. Urban America needs help. One of the best ways to help the infrastructure within the urban area, is to keep them back down on the farm and to have something there for them. That way young rural America does not have to go to the urban area, and the urban area does not have to spend more money to sprawl out, and build more schools and more water and sewage plants, and so forth. The urban areas can hardly take the strain that they already have. If we have a good program in rural America to revitalize it, then it is also an urban relief plan, in the purest sense of the word. I hope that the people who live in urban America realize that if this plan succeeds, it will be a benefit to them.

We talked about urban America benefiting. I do think that urban America has benefited for years by our young people who have come off of the farm. I know many of the young people that I grew up with and who are now presidents of universities, who are head of colleges, government officials, and the like, who never went back to the farm because there was nothing for them. The family farm can only be spread out or divided between so many sons. There are too many of the family farms that had several sons, and there was not enough farms to go around for those sons. They have to have other opportunities. Those opportunities have to be more than just producing food and fiber in order to keep them down on the farm. There must be other opportunities for them to pursue so as to support their family.

I mentioned to you about administering the rural funds. I do not think that Farmers Home or the SBA is the right place. I think

REA is definitely one of the agencies that must be considered. It has a track record. It has a history of carefully auditing and reviewing the loans that it has out. REA knows what to do with the tax dollar. REA has had very little default and loss with the REA programs, as opposed to other Government programs.

Now, I know there is some concern by investor-owned utilities that the cooperatives is the only one to get any funds under such an act. That is not correct, and I am sure that you may be aware, that investor-owned utilities have borrowed, and some presently are borrowing from REA because they fit within the category and are located in truly a rural setting, so that they are eligible for REA funds from the Government.

I think that there needs to be an availability of funds. I am glad to see the first step being taken with the proposal that was passed in the Senate which is being considered by you. However, to do any thing worthwhile may take a considerably larger amount of funds than is now being considered. Whether we look at it as simply grants—the block grants that were being talked about—or whether we look at it as low-interest loans, or whether we look at it as actually low-interest loans, we have to have some kind of a combination or program that will work, so as to take care of the problems that do exist.

There are real problems here. We talked about Main Street being boarded up, but you drive along the countryside and you see homes that are abandoned and boarded up, and the farms that are filled with weeds, et cetera, because they are not properly taken care of.

One of the other areas that we are in need for development in our rural areas is the expansion and enhancement of our existing highways. For example, in one area is Ashton, Idaho. Highway U.S. 20, which runs from Idaho Falls to the Montana line up to west Yellowstone, is reportedly one of the busiest highways in the State. That highway is four lanes until you get to Chester, 8 miles south of Ashton, and then all at once it becomes a two lane highway. It is a nightmare and really a hard road to traverse not only during the tourist season in particular, but throughout the year. This is simply because it is too congested, we need more highway facilities there. There are other areas within our service area that need a larger and more useful roads. We need to take a real look at that.

Another problem in our area, is Federal lands that is a problem throughout the West. We about had a sage brush rebellion over it a few years ago. It is a fact that we have more and more problems and regulations by the Government over the use of Government lands that are within our jurisdiction. It was indicated a while ago that nearly 70 percent of the State of Idaho—or 60 something percent of Idaho is owned by the Federal Government. In one of my counties, for example, Fremont County, over 68 percent of the land is owned by the Federal Government. That really has a devastating effect upon our local economy and the tax base. In fact, 43.7 percent of our county is situated in the Targhee National Forest. Highway 20 that I spoke of, which is a prime tourist road to west Yellowstone, goes right through Island Park, and much of the development that we have on that road is on forest-lease land. Developers are afraid to put any more money into or to enhance their

facilities as a tourist attraction, simply because of the fact that all they have is a lease hold for which the price can later be jacked up, or the lease can be pulled, as the Government may desire.

I would certainly encourage the forest service—or the Government, to force the forest service, to rethink its policy concerning the sale of those lands that are prime lands for development purposes along major highways such as U.S. Highway 20. This would serve to increase the funds that are available, either to reduce the national debt or for further development in our rural areas.

We have west Yellowstone which is circled on all four sides by Federal land. One side by the park and the other three sides by national forest. And its the enhancement and growth as a tourist industry has been totally stifled because it has no place to expand.

I think we need to look at enhancement of other tourist facilities. I have a specific proposal in our area that I think would be very interesting for Congress to look at whether it is going to be done in this bill or otherwise. Idaho is the only State that part of it is situated in Yellowstone Park, that does not have an entrance to Yellowstone Park. We have part of Fremont County that is in Yellowstone Park. Originally Congress directed that there be a south entrance just northeast of Ashton. But because the Bureau needed the money to build the Jackson Lake, they took the money from Idaho and put it over in Wyoming. The Bureau promised to put the money back it in the next appropriation bill. Then the Depression came along, and over fifty years later they never built it. So Idaho is without an entrance into the park.

Now, the Park service has looked for years of ways to enhance tourism in the park and to minimize man-made troubles. One of the things I would suggest that they look at is the possibility of going to such a place as Cave Falls, Mesa Falls just outside the park, build a nice parking area and other facilities, and then put in something like a monorail that would go in to Old Faithful. This would cross some of the most beautiful scenery in the park. It would have a minimum amount of human impact on the area. Would allow people to see some of the great splendor of Yellowstone Park that is not being seen now, except by horseback. This could be a prototype for them to look at for the rest of the park, and perhaps for other National parks throughout the nation. It certainly would be a real economic boom to our area for such a thing to occur.

We have sent our most important export or crop; that is, our youth, to the urban areas for years. It is time the urban areas repaid the debt that they have generated by our investment in those people. It is time for us to have something here at home to try to keep them down on the farm. Those of us that have the farm in us know what it is like. You can take the boy off the farm, but you cannot take the farm off the boy. And I think it is important for us to remember that, and to make available to the people who choose, by choice, to live in rural America the opportunity to stay there.

Thanks again for coming out here, Congressman English, and joining with Richard. He is a great Congressman. We are sure from listening to you that you are likewise, and we will appreciate any

direction that you can give the Congress in forming a bill that will be helpful to rural America.

[The prepared statement of Mr. Mangan appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, George.

The final witness on this panel is Leonard May, president of the Rockland Telephone Co. of Rural Telephone Co-op. There are not many of those left in the State of Idaho.

Mr. MAY. I would like to correct that. I am not a co-op.

Mr. STALLINGS. Excuse me. I apologize, please proceed.

STATEMENT OF LEONARD A. MAY, PRESIDENT, ROCKLAND TELEPHONE CO.

Mr. MAY. I am a privately owned telephone company in one of those areas of Idaho where we have had one member of the testifiers here today that we should dry up and die. And of course that makes the hair on the back of my neck go a little stiff. I want to get up and let him know that I am not ready to die yet. I serve about 324 subscribers in an area where we count the miles between subscribers. Mostly, dry land, farm, cattle, and hay operations. I am also an REA borrower. So I have great confidence in the REA. I am happy with what the REA has done for us and what it has been able to afford for the customers in my area. We have all a one party service digital telecommunications. Right now we are looking to put in a little fiber optics ourselves. So we are not a backward area. We have all the modern conveniences of truck oil transfer and the whole works.

Also, I serve on the school board of the Rockland School District No. 382. We have approximately 180 students in K through 12. And it is with this background that I come to you, and I am glad that you are able to come to Idaho and hold these hearings. Come to a place where rural to me has probably a different meaning than rural has meant to most of the people that have testified here today. As I look at the people who have testified, most of them live in big cities according to me. Rural is real rural where I am.

A week ago, my wife and I were able to attend hearings or a conference in Washington, DC presented by the U.S. Department of Agriculture on rural development. And it was interesting while we were attending that conference to hear of all of the problems across the Nation that are similar to the ones that we face here. Everyone has the same problem. And I think everyone figures that if you ship us enough money, we will take care of it. I know that is not true, and it is not even the case, and it is not even something that we want. We are independent, and we just need some guidance.

We have been concerned about the growth patterns in our community for a long time. This is not something that has been new to us. Many of our old families have had children that have grown up and either they have gone on to better pastures or the farm has gotten too small for the family and some of the members of the family have had to leave.

Recently we have had the CRP program out in our area which has had a real effect upon us. It essentially killed the only ball

game in town, and that is of farming. And we have, you know, the old Old Homestead Act required that the farmer had to stay on the land and develop that land. But with the CRP program, that farmer can live in Washington, DC and collect his money and spend it there as well as he can in Rockland, Idaho. Many of the farmers in our area have done that. When we looked at this situation in our area and we said, well, what we need to do is, we need to catch these guys before they leave and go play on the city league and develop a program here for them that will keep them here.

In our efforts at looking at the area that we serve in the community—the health in our community—a group of local citizens in Rockland got together and we decided we have to do something. So we formed what we called at the time a rural Main Street. And unbeknown to us, through our ignorance, we did not know about any development programs that were available. It has only been recently that we have even heard of even urban development programs or rural development programs. A discussion group in this concern for what we should do—and we came up with four goals that we wanted to achieve for our community.

One, we wanted to have an adequate education. We wanted to have adequate health care facilities. And we wanted to support the families that remain in the area. And we also wanted to attract new jobs through grants or anything else that we could find.

We had lots of enthusiasm. In fact, I spent many hours in the library at ISU going through grant books trying to find a grant that would fit our area. Wasting my time essentially, because it is awfully hard to find a grant that fits a small community. Consequently, the enthusiasm waned. The leaders lacked the expertise to go out and recruit industry into our area.

Serving on the school board I have also seen the need that we have in our community for a new facility. And the attempts that we have made to try and build a new facility has been difficult. I look at the communities around the area and I see that as soon as a school is gone, families leave, businesses close their door, and soon you do not even have a town there. And there are lots of ghosts around Idaho. And the first thing that has always happened in these ghost towns is the school is gone. And so we are very education oriented. We do not want to lose our school. We are fighting for it in any way we can.

Paralleling these drastic stories that we hear, while attending telephone association conventions, why the people over at Panhandle Telephone in Oklahoma explained a program that they had set up with two-way television between four or five cities in the panhandle. And we have said, how innovative. We would like to follow suit and do something like that if we could in our area. So all of these routes we turn to SICOG, and our local agent was Scott McDonald, and we developed a rural revitalization plan detailed in my written comments in which you get to have plenty of moonlight time to read those I suppose.

We have a four-way partnership for economic development with the following:

1. We want U S West to provide us with a hookup to their fibre-optic system at Pocatello, and we would also like a contribution for

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them for helping us to build our building and equipping our community development center.

2. Rockland Telephone is in the process and will lay fiber-optic cables to link us with this fiber-optic center in Pocatello with another school district in Arbon Valley.

3. The school district will provide a new educational facility K through 12 with advanced telecommunication links in each classroom and employment facility services.

4. We would like Idaho State University to supply adult education, enhance public education, distant learning, and the support services from its business technology center for distant learning and to small business incubator individuals.

With a shopping mall design, the school with its gymnasium and cafeteria would serve as an anchor store to cluster other employment facilitating services such as day care, adult day care, retirement home, community center, latch key and respite center, media training facilities, economic development center, facilities for ambulance and volunteer fire trucks. This community center would be administered by a nonprofit organization and separate from Rockland Telephone Co. so that there would be no financial gain for the telephone company. We just want to facilitate some sort of growth. Clustering of these individual entities now struggling to exist around the newly designed school would save 30 school jobs, generate 20 new jobs in staffing and services not now available, and generate up to 50 new customers or new jobs in the in home-type jobs through the fiber network—fiber-optic telecommunication link.

Also the clustering of all these facilities in one building would lower the overall cost to each of the entities sharing a facility. It is easy to catch the vision of a cafeteria or a gymnasium fully utilized year round by youth, services for the aging and community, or of a retirement center where the valuable resources for elderly are not isolated and unused, but are available as they desire to associate with students as tutors, adoptive grandparents, willing audiences for plays, or even going to the noisy basketball games and football games. When I grow old, I do not want to have to vegetate in some retirement community in Arizona. I want to be actively involved with the youth.

The possibilities are endless as you can see. There are many other things that can be incorporated into one of these shopping mall type concepts. A model such as this could be incorporated into one of these shopping mall type concepts. A model such as this could be replicated in the United States by thousands. There are thousands of communities in the 201,000 size population that could use this.

With the current business trend to fracture services and subcontract former in-house functions rural America can fill the gap if the appropriate telecommunications infrastructure exists. Funding must come by pooling or leveraging dollars from a variety of sources such as industry, local, State, and Federal Government as well as those generated by services in the project itself. To help this effort succeed it is critical that Congress maintain Federal delivery system used to working with rural America. And I too would like to support REA's efforts of this bid because they do serve rural America.

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Second, in a depleted rural setting, it is important to keep local matching requirements to a bare minimum, zero, if possible. We are already to poor to come up with an awful lot of money to match.

Third, make eligible for loans existing entities who have revolving loan funds such as EDA and CDBG. We feel the revitalization plan such as Rockland would again lend a new more viable meaning to the word rural and maintain the environment upon which America's help depends.

We applaud your sensitivity to our needs and would like to be chosen for any demonstration projects or be a part of this legislation if we could be.

Thank you.

[The prepared statement of Mr. May appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you. That was very impressive. It is rather exciting what you have in mind. I think the committee will take your suggestions very much under consideration.

Mr. English, would you like to pose some questions?

Mr. ENGLISH. Yes, I have one question that I want to ask each of you, go right down the line in the order that you testified and give me the answer too if you could. Mr. Fuhriman, starting with you. And that is of either subscribers, membership, whatever it may be a part of your organization; what percentage do you estimate of that membership have jobs in town?

Mr. FUHRIMAN. I would guess maybe 80 percent.

Mr. ENGLISH. Eighty percent?

Mr. FUHRIMAN. Yes. Just off the top of my head, and I am sure it would be awfully close to that.

Mr. ENGLISH. Mr. Goodwin.

Mr. GOODWIN. It sure would be a guess. But I would say 50 percent.

Mr. ENGLISH. 50 percent.

Mrs. Baldwin.

Mrs. BALDWIN. Well, all of our members are farmers, but I would say probably 50 percent at least of the wives. Not of the farmers themselves, but of the wives have jobs in town.

Mr. ENGLISH. In other words, they are contributing income to that family for family farm purposes.

Mrs. BALDWIN. Right.

Mr. ENGLISH. Mr. Tracy.

Mr. TRACY. Strictly a guess. And I want to restrict this to the Raft River area, not to the whole PNGC, because I could not guess on that. But I would say 25 to 30 percent.

Mr. ENGLISH. OK.

Mr. Munns.

Mr. MUNNS. I would say between 60 and 65.

Mr. ENGLISH. Sixty and 65.

And Mr. Mangan, I guess you are next.

Mr. MANGAN. It is a guess again, but I would say 60 to 75 percent.

Mr. ENGLISH. OK.

Mr. May.

Mr. MAY. A lot of the people receiving the CRP did not go back to work unless going down to the green tables in Las Vegas is work.

Mr. ENGLISH. Excuse me?

Mr. MAY. A lot of the farmers receiving the CRP retired and so the ones remaining I would guess probably 70 percent.

Mr. ENGLISH. Seventy percent have a job in town.

Mr. MAY. Second income.

Mr. ENGLISH. Without jobs in town, if we took all the jobs in town and wiped them out, how many of your organizations would survive? Any of you that could make it?

Mr. FUHRIMAN. Yes.

Mr. ENGLISH. You think you would survive?

Mr. FUHRIMAN. I think as far as an organization we would survive because it would still be there to help those people who remained on the farm.

Mr. ENGLISH. The point I guess I am trying to make is this. There is no question that agriculture, where crops are grown in the local area, that it is going to be the predominant industry. That is the reality. There is no question about that. The State of California, the primary industry in California is agriculture. Not the movie business, or not the computer business or anything else. It is agriculture. And that is the reality. The difficulty that we are into right now, and Mrs. Baldwin, you touched a little bit on this and several others have hit a little bit on this. The thing that we are talking about here is the question of whether people are going to be able to stay on the farm, No. 1. For farmers, and if they do not have a job in town, most of them are not. That is the reality. The only group of farmers that are really growing right now is small farmers. Part-time farmers. They are the ones that are growing. So when you get into full-time farmers, things are pretty grim. And those full-time farmers are there as each of you have indicated. Even in a State as rural as Idaho, they have to have a job in town. They have to have that supplemental income. And then if we take it one step further and looked to the young people who are waiting for mom and dad to retire so that they can take over the family farm, that number just goes astronomically higher. They cannot keep mom, dad, and kids, and everybody. There are very few family farm operations that are going to be able to keep all that going. The point I think that we have come down to, it is not a question, and I picked up a little strain of this from some folks, that this is a competition thing, it is an either/or thing, it is a forget agriculture, go diversified type thing. That is not the case at all. What we are facing here is—the reality that we are facing is if we in fact want to do all that we can to keep the family farmers on the farm, to give the young people a chance to stay in the rural communities, to have any kind of base to take up the slack when times get tough, you have to have jobs. It is that simple.

Mrs. BALDWIN. What about price?

Mr. ENGLISH. Well, even though you get into the case of price. I mean, those of you who are not familiar I will give you a little background. Many of you may not care, but this is where I am coming from. I voted against the last two farm bills because personally I did not feel that they were moving in the right direction. To

me the only farm bill—a good farm bill does not cost the taxpayers a dime because the market price is above the support level. If the market price is below the support level, to me the farm bill is a failure. The majority did not go along with that. The majority have not supported that philosophy. I do not know what is going to happen in the 1990 farm bill, but I would say looking at it right now, my political judgment is it is not going to change a whole lot. So if the farmers in my district are going to stay on the farm, and my rural communities are going to have a chance to survive in the future, we have to have some way of folks having jobs. There has to be some diversity there. And that is—it is going to be critical to all farm organizations that we keep population. We have to have population down there. So to me it is a supplemental thing. The two are—we are getting to the point where the two are linked. They go hand in hand. You can no longer say, well, we are going to depend strictly on agriculture and that is it. Because we are seeing what is happening there. The last 10 years we have seen a terrible loss of population. We cannot by the same token say, well, forget agriculture. We are going to go out and diversify. That is not going to work either. The two have to go together—they are linked together. And I think that the fate and the promise of the future of agriculture and rural communities has to be a linking together of diversity. Whether it be jobs that are agricultural related or whether not agricultural related. They need jobs, need money, need income. And that is what we hope we can generate. So I just kind of wanted to see even with a State as rural as this. And I think it makes a point. Let me—I think, Mr. Chairman, that pretty much—let me also say, the CRP, a couple—three people have hit the CRP thing. CRP is marginal land, and if I remember correctly we—there is no county that can have more than 25 percent——

Mr. MAY. Unless they petition.

Mr. ENGLISH. Excuse me.

Mr. MAY. Unless they petition.

Mr. ENGLISH. Unless they petition, that is correct.

Mr. STALLINGS. In America Power County did petition and so did Oneida County.

Mr. ENGLISH. So you have had two counties do that?

Mr. STALLINGS. We have had a couple more than that, but yes, I think that one probably had as much land set aside as any county in the State.

Mr. MAY. It is all in my telephone exchange.

Mr. ENGLISH. Oh, it is all in your telephone. Well, I can understand your sensitivity. I guess the only point that I would make as far as its capability to produce, and that is pretty—it gets to—not casting any burdens on the county—but generally that is marginal land by definition. You just do not get that much production off of marginal land and it gets into the questions then overall, and this is the reason I suppose we ought to maybe be especially sensitive to your kinds of situations in any type of rural development assistance. Do you really want to get out and increase production and over supply and add to further cost of the Government as far as the deficit is concerned, more trouble with regard to farmers getting more of their income out of the farmers place, in that regard. Or are we better off going this direction and saving that land until

we truly in fact really need it to produce food for this country. And some day we will face that. And then perhaps try to deal with your situation recognizing that this is in fact land that we are saving instead of having it used up one at a time. But you all have been very helpful. And Mr. Chairman, I appreciate their testimony.

Mr. STALLINGS. Let me say a couple of observations along the lines of the loss of population in rural America. Munns here is, by the way, a relative of mine so I have to be nice to him.

Mr. ENGLISH. I can understand that.

Mr. STALLINGS. But he comes from the State of Utah that we think generally is a rural state. And yet the population is not in rural Utah, but it is along the Long Ash front, and so all three Members of Congress from that State are essentially city folks from Ogden, Salt Lake, and Provo. And even though the State is heavily rural, there is not much population there, and as a result that population is not represented in the Congress of the United States. And we find that in a number of States. And I think you see that in Oklahoma which is essentially a rural State and your cities are probably represented to a much greater degree than the rural areas.

Mr. ENGLISH. Well, we have a little different—if I could, Mr. Chairman—we have a little different situation in Oklahoma. All of our six Members of Congress, with the exception of one, has some urban area in their district. So we are a little bit unique that way. It provides a little balance and sensitizes urban members to rural problems.

Mr. MUNNS. You have oil all over the State.

Mr. ENGLISH. Excuse me.

Mr. MUNNS. You have oil all over the State.

Mr. ENGLISH. Well, we have oil, but I tell you that is a handicap these days. That is not a blessing. That oil business—that is a tough life. It is a little tough out there.

Mr. MUNNS. I would like to experience some of it.

Mr. ENGLISH. Let me give you a name of a couple—three folks to talk to about that. You might change your mind.

Mr. STALLINGS. Bud, let me ask you a question on the Senate version. In the Senate rural development bill, I believe they placed most of the funding, or do use the REA's heavily, for a delivery system for rural development. And I appreciate your comments concerning areas where the investor-owned utilities serviced rural areas, that they also have access to those same funds. Do you have any problem with that program?

Mr. TRACY. Not really. I guess I would be supportive because in all candor maybe some of the efficiencies we have seen come out of the Farmers Home and some of those as was discussed here earlier today, have not been as aggressive. Those people do not live in those rural communities. And they are the ones administering. I believe if you want to get something accomplished, it needs to be done as close to the people who are doing the program and spending the money as you can.

Mr. STALLINGS. And so in Rexburg where we do not have an REA, but Utah Power services the area, or along in the lower valley, where Idaho Power services some of those rural communi-

ties, they would be eligible and provide some of the same services that the REA's would.

Mr. TRACY. I certainly could not commit on behalf of them, but we are going to have to recognize that and recognize those rural areas that are served by private investors someway to meet those needs. Because their needs in those areas are just as great as they are now.

Mr. STALLINGS. That is the criticism I am hearing on the bill, and I appreciate your bringing that out because the Senate bill at this point, at least the understanding of some of the House Members, was that essentially all of it was going through the REA's and those areas that were not fortunate enough to have REA service would just sort of be left out in the cold. That will kill the bill about as quickly as anything because, as you know, a big part of this State is not served by REA's. Unless the other power companies are involved in this—if that becomes the delivery mode, we have problems.

Mr. May.

Mr. MAY. It would surprise the area in Idaho that is served by REA borrowers. All along the Snake River Valley there are REA borrowers.

Mr. STALLINGS. George.

Mr. MANGAN. Congressman Stallings point is very well taken. And that is in the area, for example, from the Fremont County line practically or from Saint Anthony, even Ashton, down through there, it is not served by an REA. We live there and we serve all around it but there is an investor-owned utility, and there is a provision in the existing REA regulation that allows an investor-owned utility to borrow from the REA, and I think that just has to be clarified if there is any question on it. And a good example is right here at the Rockland Telephone Co. They are investor-owned, very small investor-owned, but it is an investor-owned utility, and it is qualified under the law to borrow.

Mr. STALLINGS. Thank you. One final question. Leonard, How far along are you in the Rockland School District—in the plans that you described to us. I was—to be very honest, I was very impressed with what you are suggesting?

Mr. MAY. Well, we got Scott working real hard on it, and we are at the point where we are ready to have an override election to start getting some money raised for matching funds. We have presented this to REA and, of course, when we first presented it to REA our request was for $3.5 million and they only had $1 million in the whole fund, and it got trimmed back down a whole bunch. I would say we are probably 6 months from having a definitive answer from somewhere.

Mr. STALLINGS. Are you getting support from U S West and some of the other groups?

Mr. MAY. Yes.

Mr. STALLINGS. Because I have talked with U S West on a number of occasions, and they have really got some exciting proposals on how to do the very thing that you are asking.

Mr. MAY. Yes.

Mr. STALLINGS. That is bring in some very high quality teachers. Your school district is not large enough to hire the cadre of teach-

ers that you would need to compete with the Bonaville high schools or the Pocatello high schools, but through that telecommunication system you could bring in very confident instructors and give your kids as good an educational experience as they would get in these larger high schools.

Mr. MAY. And we have excellent teachers, and Rockland can be used somewhere else. In Arden Valley or Pocatello or American Falls or Marsh Valley. Anywhere else along the lines.

Mr. STALLINGS. That is right. No, I think that is really an exciting future for our rural education system.

Pam and gentlemen, I appreciate your testimony and your efforts and your patience. I know it has been a long afternoon, but thank you very much for staying with us. Your testimonies have been very important.

The final panel, panel 7, include Bonnie McClellan, Ethanol Marketing, Inc. from Paul, Idaho; Richard Westerberg, Idaho Division, Utah Power and Light; Terry Albers, Community Development, this is the Black Hills Cooperative; Bill Specht, president of Buhl Economic Council. Excuse me—Bonnie McClellan is also testifying on behalf of WIFE, Woman in Farm Economics. Bonnie fouled that up. Sorry about that. You wear all hats today. Again, thank you for your patience. I know that we were supposed to conclude this by 1 p.m. It is now 3 hours later. But I am not sure if I would have cut any of the witnesses at this point, nor would I want to deny you the same opportunity. And so Bonnie, you are representing WIFE then before the panel today?

Mrs. MCCLELLAN. Basically, Ethanol Marketing, Inc.

Mr. STALLINGS. Very good. Either one is respectable and certainly worthy of comments. If you would like to proceed, I would appreciate it.

STATEMENT OF BONNIE McCLELLAN, MEMBER, IDAHO ETHANOL MARKETING, INC., IDAHO ETHANOL-HOPPER COMMITTEE, AND WOMAN INVOLVED IN FARM ECONOMICS

Mrs. MCCLELLAN. I am Bonnie McClellan. I am here to speak on behalf of the Idaho Ethanol Marketing, Inc. I am also a member of the Idaho Ethanol-Hopper Committee, and also a member of Woman Involved in Farm Economics. But most importantly, I am here as an Idaho potato and grain farmer's wife.

We as farmers need to have more direct input into our farm bills in order to bring stability into our rural communities. We need to establish flexibility in our farms and be able to produce a commodity that will enable the United States to become solely an independent country. When we took the 20 percent of our land out of production, we took 20 percent of our businesses out of our rural areas. It really hurt rural America. Idaho has two ethanol producing plants right now in the State. The consumer demands right now far exceed what we can produce in the two plants. Governor Andrus is really behind the use of ethanol in the State of Idaho. He is the first Governor to issue the mandate for ethanol to be used in State run vehicles. Idaho has the demand to have more ethanol plants. We are right now getting some of our ethanol from Montana because we cannot produce enough to meet our consumer de-

mands. Our ethanol plants in Idaho use potato waste products for their distilling. I being a WIFE member would like to see a grain producing ethanol plant for the simple reason there are many benefits.

First, the demand for your grain increases. A solution to that problem that we came up with is let us take our set aside and our CRP programs that took those acres out of production and put them back into production for the use of ethanol instead of subsidizing the farmers through set aside and CRP programs, let us subsidize them through ethanol production which in turn will mean more ethanol plants and plants which could be constructed in or near small communities.

Second, the communities would see a growth in the job opportunities. The need for contractors and laborers during the building and the life of the plant would make more jobs available for the town people. And also we could keep our children on the family farms instead of them migrating to less satisfying jobs in urban areas.

Third, spreading of our taxes. When we lose a business in our community, our Government agencies do not reduce our taxes, but increase them to make up for the loss of the taxes. With more ethanol plants we could see our taxes reduced.

And finally, by using Distiller's Dried Grains—DDG—as a coproduct of ethanol, we could help feed the hungry of the Third World. Now, I know Congressman Stalling's office attended our presentation that WIFE made back in Washington, DC in June, I know that they enjoyed the distiller's dried rains products that WIFE put on at that time. When using grain for ethanol only starch is used. Protein and all the vital nutrients are left. We can teach the Third World how to implement DDG into their diets. We can also use DDG in our own country. A good example of this would be at the food kitchens or when there is an area declared a disaster we could give them a stable product when mixed with any form of food becomes a nutritious meal. As a member of WIFE, I feel that we could have a market for DDG as a food enhancer without taking away the feed stock market.

It has been shown historically that the best rural development tool available is a viable and expanding agricultural sector. By expanding ethanol production, commodity prices rise, which in turn provide more dollars being spent in rural areas, which is already been commented on. When farmers benefit, so do rural banks, rural supermarkets, rural doctors, and lawyers, and all of rural Main Street.

Idaho is proud to be the leader in the mandates that our Governor has made. With congressional help in the form of extending the 60-cent Federal ethanol exemption to the year 2000, and with your encouragement to grant the 60-cent Federal blenders tax credit to ETBE, and with the President's Clean Air Act, Congress can go a long way in providing much needed rural economic assistance.

In conclusion, Mr. Chairman, the cost of doing something will, in the long run, be far less expensive, and we will have a product that the United States will be proud of.

Thank you.

[The prepared statement of Mrs. McClellan appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Bonnie. I appreciate those comments. I certainly have been a supporter of the ethanol program from the beginning. I think it is something that we will see more of as we move to the clean air legislation that President Bush is talking about.

Mr. Westerberg, director of the Idaho Division of Utah Power & Light also of Rexburg.

STATEMENT OF RICHARD D. WESTERBERG, MANAGER, IDAHO REGION, UTAH POWER & LIGHT CO.

Mr. WESTERBERG. Thank you. Congressman Stallings, my name is Richard Westerberg, Idaho region manager for Utah Power & Light. I would like to commend you on your patience and stamina today in this hearing. Being a resident of Rexburg, I know somewhat of how you acquired that ability. Rexburg has the unique reputation of having a very robust winter, and I underline very robust. In addition to that, in the fall in Rexburg some 8,000 college students come to go to junior college there. Some of which, or most of which, do not have any experience with that same robust winter in terms of the driving skills. Both situations do indeed increase stamina and patience. I will try to summarize my written comments to the extent possible, Congressman Stallings.

Utah Power & Light is not new in the rural economic development business. We have been involved in it for some time. As we are essentially a rural serving electric utility, Utah Power & Light covers 90,000 square miles, and serves about 530,000 customers in Utah, Idaho, and Wyoming.

In Utah we provide service to about 157 cities and towns. Only 9 of which have populations over 20,000. In our Idaho service territory, which is all within your congressional district, we provide service to 42 cities and towns that have populations much less than 20,000. The same is true in Wyoming where we serve 9 cities and towns all of with populations less than 20,000.

The point of all these statistics is that we serve rural Idaho, Utah, and Wyoming to a great extent. And we have been involved in economic development in those areas for some time with very to the point, economic development programs to meet the needs of those communities and areas, and I will not take time to talk about those. We have included in the written testimony situations and success stories for our economic development programs.

Now, to the point of this hearing. As you know, both the House and Congress have been considering ways to promote rural economic development. UP&L strongly supports these efforts, but we find serious problems with the approach taken by the Senate in their passage of S. 1036. We hope you in the House of Representatives will take our thoughts into account as you begin to craft your own legislation.

The Senate bill is intended to make it easier for rural businesses, which are served by rural electric cooperatives, to get credit, expand Federal programs for sewer, water, and authorize loans and grants to help rural schools, hospitals, and other infrastructure

projects. We believe it is wrong to limit such assistance to only those who happen to live within a relatively small area where electric service is delivered by rural electric cooperatives.

We believe that in any new initiative, funds for economic development must be available to all rural communities and business entities, not just those served by a certain segment of our industry. Rural development requires full participation in all needy rural areas. We also believe that any additional financial resources committed to rural development must be leveraged with private sector assistance, unencumbered by a new bureaucracy.

We suggest that a flexible program be used by Congress in a design of any rural development program. It is important for all utilities, investor-owned, municipal, and rural co-ops, and all other groups capable of providing assistance to work with local rural communities in their development efforts.

We strongly believe that the investor-owned utilities and other entities should be included among the list of organizations eligible to administer revolving funds. Our inclusion makes good sense since we generally have widely representative boards of directors, a long-term commitment to a development, and excellent relationship with lending institutions that are capable of providing matching funds, and a close working relationship with regional, State, county, and local governments.

Investor-owned utilities should not be forced to create independent nonprofit corporations to administer revolving funds as called for in the Senate passed S. 1036. There appears to be no convincing reason why entities like investor-owned utilities that have been so much a part of the Nation's rural development efforts should have to reorganize to be considered for participation in the rural development initiative.

Whenever possible, existing programs or agencies should be used to meet the pressing needs of rural areas. New bureaucracies and duplicative programs are by definition, wasteful and unnecessary. These agencies already able to provide this kind of assistance should be the ones to receive any additional available funds earmarked for rural areas. For example, we believe it inappropriate to shift any infrastructure programs to REA. Farmers Home Administration, SBA, and EPA, among others, have existing programs that may need to be modified to accommodate the purpose of rural communities. But any shift to agencies which limit client base, such as REA, is inappropriate.

At UP&L, we care deeply about the communities in our service area, not just because an improvement in their welfare means an improvement in the welfare of the company, but because we live and work in these communities and believe that the residents of these cities and towns which we serve, should have the same assistance that is available to anyone else.

What we have said here is not meant to discourage support for rural economic development legislation, but we do urge that you make sure that any such bill be written to accommodate these residents of rural areas served by investor-owned utilities, as well as those served by any other form of utility ownership.

Thank you.

[The prepared statement of Mr. Westerberg appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Mr. Westerberg. I appreciate that.

Let us see. Mr. Albers, I have that you are involved with the Black Hills Cooperative, is that correct?

Mr. ALBERS. Right. In South Dakota, right.

Mr. STALLINGS. Welcome to Idaho.

Mr. ALBERS. Thank you for the opportunity.

Mr. STALLINGS. Please proceed.

STATEMENT OF TERRY O. ALBERS, INSTITUTIONAL DEVELOPMENT SPECIALIST, BLACK HILLS SPECIAL SERVICES COOPERATIVE

Mr. ALBERS. I am Terry Albers and I am the institutional development specialist for the Black Hills Cooperative, which is the oldest and largest. It started out as an educational cooperative in South Dakota, and when we started to do our educational endeavors and changes with special ed we found out all about the networking that has to happen for real change with businesses and communities in order to really have anything happen.

We started in 1981 with seven employees. We now employ over 250 people and 40 plus programs and interventions in western South Dakota ranging all the way from special ed programs, vocational program, up to where we are now, in the last year have been licensed by EPA as a certifying agency for asbestos management planning, inspection, and also training. We got into this because there was a need to keep costs down, as the local school districts would have to go through this inevitable inspection and management plan.

The co-op has received several regional and national awards in the area of special ed and vocational ed, and we have just recently received in the past couple of months from Washington, recognition as 1 of the 10 most successful special ed and vocational projects in the United States. So we know a little bit about networking and what needs to happen in rural South Dakota. And I think the reason we are successful is because we recognize that.

In our work with special ed, because we work with mildly handicapped, moderately handicapped, severely handicapped, and profoundly handicapped, we think of our ruralness in those kinds of terms also. When we look in terms of Connecticut working on rural development, we say that they are mildly rural. We consider ourselves in South Dakota profoundly rural as would Idaho I think qualify for that. Chairman English isn't here, I think Oklahoma would probably only be severely rural using this description.

We only got into rural development actually about 1½ years ago with the McREL project. Two other regional laboratories have testified earlier, we have been working with McREL—Mid-Con Regional Educational Laboratory—and we have started six pilot projects in South Dakota with rural schools. We have rural—rather than going through some of the successes we have that are outlined in the written testimony, I will just kind of briefly mention some of the things that we are involved in with these six schools.

Redefining the mission of the school. We have communities right now and schools who do not even perceive physically their responsibility for rural development, let alone conceptionally. There was one small school in our area, not one of our pilot schools, who last year four high school seniors took off and helped a farmer put out a prairie fire that was endangering his crops. The four students were suspended for 2 days. So one of our jobs is to get the rural schools with that kind of a program a change of attitude about their responsibility for rural development. We are changing those kinds of perceptions. We have children in our communities who do not want—young adults who do not want—to go to their reunions because they have an attitude that going to their reunion signifies that they have not succeeded, because our curriculums are based on preparing kids to get out of there. And that is determination of success. And we are trying to change that. So we are redefining missions. We are involving the schools in community planning. We are developing small business plans where schools, teachers, actually help community members develop business plans through marketing, through needed assessments, through surveys, developing, and incubating small businesses. We are also doing that. Developing risk capital for guaranteed loans for students. We have a project right now that has been sanctioned by the Governor's office and Small Business Administration to guarantee at 90-percent guaranteed loans up to $2,000 for students who wish to start a business in the school which later could start in the community.

OK, rather than talking about some more of those successes, I just want to say that the visibility and the success of this program has led to contact. We now are going to move into parts of North Dakota, Nebraska, and we are working with rural electric co-ops and colleges in eastern South Dakota to develop the concept in other schools.

This is only six public schools in South Dakota. It concerns me that even though these are successful we have not talked here today, and I know that some of the States involved here, also have this problem. We have seven Indian reservations in our State. There is a large brain drain and economic drain that this creates in our State because we have college prep schools on those reservations where their main objective is to prepare college graduates, and the statistics say that the reservations in South Dakota right now are experiencing 50 to 75 percent dropout rates and 60 to 80 percent unemployment. Despite efforts of community involvement the schools and facilities are virtually locked after the schoolday ends. A college prep curriculum exists in all these schools and yet only 1 percent go on and graduate from college. Of that 1 percent only a smaller percentage of that comes back and contributes to the local economics and development of those communities.

We need to have more pilot projects with regional laboratories with our land-grant institutions which all include agricultural components and departments in the public schools to pull together to give new concepts, new direction, and new configuration to the things that need to happen.

I guess, I am kind of wrapping things up here, I want to reemphasize the importance of public schools and the things that we are talking about. When the country is in trouble, all of a sudden they

go and they keep suggesting different things, and then they have the public schools rally to address this. It has happened within the last 2 years with the asbestos thing. Public schools got together with their State and Federal agencies and now we are near 100 percent compliance with that in less than 1 year. Chairman English mentioned the time involved. Public schools with the AIDS epidemic were directed to provide programs. South Dakota, I do not know how other States are doing, but South Dakota right now in less than 1 year has come with 100 percent compliance in awareness, training, and implemented programs within schools in less than 1 year.

Now, my question is, and I do not know if there is a solution to all of this. Probably a small part of a much bigger picture I realize, with banks and farms and different things, but I think we can get public schools to rally around this if there is conceptual support and financial support. South Dakota with the AIDS came within 100 percent compliance statewide and it costs them $350,000. That is with the public school involvement, which is really not a lot of money. And I think the schools are up to the challenge of saving rural America. Or assisting to save rural America if we have the conceptual support from Congress. And sometimes I do not know if those things need to be legislated and then developed, or developed and then legislated. But I think we ought to take a look at public schools playing a major role in that.

Thank you.

[The prepared statement of Mr. Albers appears at the conclusion of the hearing.]

Mr. STALLINGS. Thank you, Mr. Albers. That is an excellent suggestion.

The final speaker, Mr. Bill Specht, president of the Buhl Economic Council from Buhl, Idaho. It is good to see you again, Bill. Welcome to Blackfoot and to this committee.

STATEMENT OF WILLIAM G. SPECHT, PRESIDENT, BUHL ECONOMIC COUNCIL, AND DISTRICT MANAGER, IDAHO POWER CO.

Mr. SPECHT. Thank you very much, Chairman Stallings. My name is Bill Specht, president of the Buhl Economic Council. And on behalf of the community of Buhl we thank you for this opportunity to testify. Testimonies today have been very educational. We thank you for your patience and your interest in bringing this to Idaho. We are very much concerned about rural communities. We are one. And we certainly would like to invite you to come back to Buhl. And Mr. Hawkins today was talking about Gem communities and Gem cities. We are 1 of the 12 in the State, and we are pretty proud of that. Buhl, Idaho is no different than many small, rural, agricultural communities across America. These past years have taken their toll on the local economy, the business community, towns people, farmers, and ranchers, have suffered a great loss due to the reduction of ag related jobs in our community. However, the community of Buhl recognized that there can be life for rural America without waiting for the possibility of the good times to come back. In fact, last year the Buhl City Council recognized the

problem that we were facing and the need to do something about it.

The Buhl Economic Council was chosen at that time to be the vehicle for economic development in our community. The Northwest Area Foundation approved a grant application to the Idaho State University providing economic development funds for three rural communities. The Idaho State University formed a partnership of the College of Southern Idaho and region IV. Buhl was chosen as one of the three rural communities to participate in the grant. Community leaders soon learned that in order for economic development to be successful, a much larger partnership was necessary at the city, State, and Federal level.

Last fall the city of Buhl was approached by an existing company with a proposal to expand in Buhl. It was not economically feasible for that company to expand in Buhl without city infrastructure improvements. Because the city of Buhl was not financially able to provide the needed infrastructure improvements, alternate funding was needed. The Idaho Department of Commerce was contacted in following their recommendations, the city of Buhl applied for an Idaho community block grant. An active partnership was formed resulting in the approval of the block grant. The approved grant from the Idaho Department of Commerce provided funding for the necessary infrastructure improvements. This allowed Ted Inc. to expand its 62-year-old facility to produce B&M baked beans and the creation of 40 jobs.

The total economic impact to the State of Idaho is estimated to be $6 million annually from this expansion. This is a success story that was only made possible by establishing a partnership between city, State, and Federal Government.

Upon approval of the block grant, the city of Buhl became eligible to apply for an economic development grant from the Federal Government. Community excitement was building with the success of the block grant, and the possibility of the EDA grant approval in the Ted Inc. expansion. This enthusiasm was backed by countless hours of volunteered time and energy.

Due to the out-of-state location of the EDA regional office and the lack of effective communication a misunderstanding resulted. This misunderstanding involves the signing of a nonrelocation certificate which purposely restricts the relocation of jobs or facilities during the next 4 years. It is apparent that the Federal nonrelocation clause expects a national or an international company to put all of its plans on hold for the next 4 years. Even though the EDA regulations provide a waiver of the nonrelocation certificate, the Seattle regional office has refused any consideration of the use of that waiver.

From the very beginning we were led to believe that this application was an outstanding project. It remained a good project until one of the seven companies that made the grant application possible was not able to sign the nonrelocation certificate. It has been suggested at this time that the city of Buhl withdraw its application. We are proud of the community that we live in. We would like to see it fully recovered from the economically depressed times it has experienced.

The approval of the EDA grant would provide infrastructure improvements that are necessary to make the full recovery possible. The loss of the grant also means the Buhl community will lose a large amount of matching funds from the Buhl highway district, the Department of Transportation, and the possibility of a 9010 public safety grant to improve a railroad crossing between Ted Inc. and Green Giant.

We feel that the only possible chance to get this grant approved is through congressional support. I would like to ask you to consider supporting the approval of the EDA application for the Buhl community. You can do this by contacting the Assistant Secretary of the Economic Development Agency in Washington, DC.

We are grateful for this opportunity and would like to encourage you and your colleagues to support funding for rural America. It has been our experience that without the partnership of city, State, and Federal Government, rural communities like Buhl will be unable to succeed in economic development efforts. We would like to thank you for this opportunity. It has been a lengthy day. Congressman English, we certainly thank you for coming to Idaho. And we would like to invite you to come to Buhl sometime.

Mr. ENGLISH. Thank you very much.

Mr. SPECHT. Thank you.

Mr. STALLINGS. Thank you, Bill. First of all, let me say I am very impressed with what I see happening in Buhl. I think there is a lot of community spirit. I think you folks have done a tremendous job, and in fact, have shown the rest of the State how to proceed. Unfortunately you have had some problems, but again, I think that is the problem of any pioneer, you have to cut through new territory, and in so doing it sometimes afflicts a little pain. But yes, I would be very happy to help you with that grant application. And we will get deeply involved with that. And I certainly hope that these other problems will work themselves out because if there is a community that deserves success, it is Buhl. You have really set a standard for the rest of the State.

Mr. Westerberg, I appreciate your comments. You raised some issues that I have heard from a number of Members of Congress in dealing with the Senate rural development bill. Those areas that are not covered by REA's would be very much short changed if some changes to that version were not made. And I am not sure what our plans are, Mr. Chairman, if we are just going to work some changes to the Senate version, or if we are going to draft our own. I prefer to draft our own because, you know how Senators are.

Mr. ENGLISH. Well, I do not want to cast this burden on the U.S. Senate at this particular point, but I think that is right. I have heard from several of the members of the subcommittee who have indicated the same thought, that they would like to draft their own bill. And I think that the testimony we are getting both here and around the country would indicate that perhaps we need to go much further than simply dealing with the Senate bill; $300 million is not going to do much, quite frankly, in dealing with this problem. And so I think we are going to have to look beyond that to the $6 billion that already exists in USDA and see if we cannot be far more effective with that and combine it with the $300 million, so I think you are right.

Mr. STALLINGS. And Mrs. McClellan. It is good to have you back. She has been in Washington a couple of times testifying and has become real active with the agricultural issues. Again, the folks in the Magic Valley have really taken a lead in the development of that. And a lot of people have come back and said, we need some kind of Federal mandate to develop ethanol and that will be the solution for ag problems. In the Magic Valley people like Bonnie and others have started from the grassroots and said, we will buy the product until we reach a point where we start—the demand is there. Rather than having it posed, we will create the demand from the grassroots. Those folks went around the valley and encouraged everyone to use the product. And at this point, you are absolutely right. We are not producing enough ethanol in Idaho for Idaho consumption. They also got the Governor to mandate State vehicles where practical and possible to use ethanol. Now I see the President through the Clean Air Policy is recommending greater use of both methanol and ethanol. I think that gives us a great opportunity to expand our ethanol market. And I think you will see more plants in the State of Idaho because economics are driving this. Where there is a need, someone is going to recognize the profitability of that need.

I am not sure at this point that there will be an effort to take the land out of the conservation reserve and put it back into production. We have spent a lot of time and money on that program. But I suspect at the end of the 10 years when most of that land is, in fact that is now just 5 and 6 years down the road, we may have a need for those products. Instead of resigning it back into a Conservation Reserve Program, you may see it go back into seed and produce grain and other products that will end up in ethanol. I am really impressed with your suggestion of taking the grain and using that as a food product for Third World as well as parts of our own country. With our productivity there ought not to be hungry people in this world.

Mrs. MCCLELLAN. Congressman Stallings, if the oil tanker off the Alaskan coast would have been bringing ethanol in, the fish would not have been dead. They would have had a terrible hangover the next day, but it would have been one big cocktail instead of one big——

Mr. STALLINGS. Mess.

Mrs. MCCLELLAN. Right.

Mr. STALLINGS. Thank you.

Mr. English, any comments?

Mr. ENGLISH. I was reflecting very carefully with regard to that last comment. I am not sure how some of my Baptists down in Oklahoma feel about that where you go out there putting all that out there in the bay and have a bunch of intoxicated fish. But let me just say, Richard, I appreciate the hospitality that has been shown to us here in Idaho, and I think this hearing has been extremely productive. We had some fine testimony. It is amazing. We had over 50 witnesses in Washington in June. I do not know how many we have heard since then in various regions around the country, and you would think, well, everything there is to say has already been said maybe two or three times. But that is not the case.

Everyone of these hearings we are having we continue to pick up additional information that I think is going to be very beneficial to us. You all have made a substantial contribution to it. And for that we are very grateful. And I think that I can speak for all members of the subcommittee that we are going to do our very best to put together a rural development bill that is responsive to the needs of Idaho and certainly rural areas throughout the country. So we will be looking forward to continue to work with you and certainly, Richard, has been extremely helpful in making the case for Idaho and this part of the country. And we appreciate that as well. So I just thank you for the hospitality, Richard. And thank you for having us out.

Mr. STALLINGS. And thank you, because it is very easy. A lot of the committee chairman tend to hold their hearings in Washington, and that is convenient for some folks in the East. But for a lot of people in Idaho that cannot afford that kind of trip, coming to Blackfoot is relatively inexpensive by comparison. And the opportunity to come here, we had 32, I think, witnesses today. It gave the people in this State some input into that rural development bill, and I think that some of their suggestions will find their way into the legislation.

That is a real credit to our system that we make the effort to come out and hear from people that will be mostly affected. It is a credit to you that you will bring the committee to these various parts of the country, and take the testimony and take the time. I am impressed with your ability to sit. I thought only folks in the Mormon community that sit through long hours of meetings develop that kind of endurance, but apparently there is some of that among the Baptist community as well.

Mr. ENGLISH. Well, I do not want to give away any secrets, but that is the reason I have the seniority system. You develop that capability after several terms. With that I will reclaim if I may, the gavel and say we are recessed. And thank you all very very much.

[Whereupon, at 4:39 p.m., the hearing was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Testimony

of

RICHARD R. RUSH

Director, Idaho Department of Agriculture

Chairman English, Representative Stallings, Congressmen, Ladies and Gentlemen:

On behalf of Governor Andrus and myself, I would like to welcome you to Idaho. It is a privilege and a pleasure to be able to speak to you in Idaho about a subject of great relevance to this great state - Rural Development.

THE RURAL ENVIRONMENT

Idaho is one of the most rural states in the country. Eighty per cent of our population resides in nonmetropolitan (rural) areas; and our population density is only 12 persons per square mile, fewer than a fifth of the national average of 67 persons per square mile.

Rural Idaho has been hard hit in the 1980s. Decisions that led to high interest rates and a high-valued dollar forced downturns in our agriculture, forestry, mining and construction industries. Recovery did not reach this part of America until about two years ago. Now production from our resource industries has increased, but with 2,300 fewer farms and one-third fewer forestry workers.

Meanwhile, a dual economy, or "Two-Idaho" syndrome, has re-emerged. The pockets of prosperity are: Boise, the regional trading center; Coeur d'Alene, a northern tourist playground; and Idaho Falls, bolstered by the activities of the Idaho National Engineering Laboratory. These three cities represent roughly one-third of our population. Yet, they accounted for more than two-thirds of the record level of new construction in 1988 and the first half of

1989. The three counties containing these cities obtained more than half of the 62,000 new jobs created from 1982 to 1988. At the same time, ten of our rural counties lost employment and six more recorded only small gains. Eighteen Idaho counties actually have lost population in the 1980s.

THE STATE'S RESPONSE

As a state, Idaho recognized the threat of declining population in its rural communities early, but severe budget constraints restricted our reaction to the oncoming problem. To ensure coordination among state agencies, Governor Andrus named a small rural policy group to find solutions. Idaho also has worked cooperatively with United States Departments of Agriculture [USDA] agencies for the same purpose.

Governor Andrus was able to quadruple the size of the Idaho Department of Commerce budget in 1987, and you will hear from the Director of Commerce soon. The Gem Community Strategic Planning Program within Commerce is a good example of how the state can help (a) local areas evaluate their strengths and weaknesses, opportunities and threats, (b) form a consensus about where that community wants to be in the future, and (c) local citizens improve their own quality of life and standard of living.

Nor has the state ignored Agriculture, Idaho's largest industry. We have tried to identify opportunities to diversify our already diverse agriculture. For instance, my Department has been doing an education program on the potential of farm and ranch recreation. We have sought out ways to add value to our agricultural products, such as the new Anheuser-Busch malting plant in Idaho

Falls and Domsea's fish processing plant in Pocatello. Through the formation of the Idaho Specialty Food Association and through training programs, we have also sought out ways to add value through niche marketing.

We have established a network of farmers' markets across the state to give our producers increased marketing exposure for locally-grown products. Our Leadership Idaho Agriculture [LIA] program, a statewide agricultural leadership development course, has quickly become the premier leadership training opportunity for our rural food and agriculture producers. We are now doing a survey of institutional food buyers to identify ways to sell more Idaho products in Idaho, and our international marketing team has succeeded in expanding sales abroad. Time does not permit me to detail activities in other areas, such as job training or university research. The state has been as active as fiscally possible in responding to rural issues. In view of our improved revenue situation, I hope that Idaho can report more progress in the future.

THE FEDERAL ROLE

With regard to the appropriate role of federal government, I would like to make a few general comments before focusing on specific ideas for House legislation.

The first and most fundamental issue is for Congress and the Administration to renew its historical commitment to Rural America. I would like to quote Governor Andrus in a speech he made last year to a national rural development workshop:

> Maintaining stable, productive, rural communities is a legitimate social and economic goal for the United States. I am convinced that most Americans do want employment opportunities to exist in smaller towns and they do want the chance to pursue a rural lifestyle if they choose.
>
> We can still maintain a viable rural economy by making a conscious effort to overcome the barriers of distance and small size and to capitalize upon advantages like productive and loyal labor forces, low pollution and crime levels, superb outdoor recreation opportunities and a generally superior quality of life. What I am saying is that rural development as an idea, as a goal, comes from the heart as much as the head.

The next point is one you may not expect from a director of a department of agriculture. Current federal farm programs are not the solution to rural problems. While they improve farm income, they have not stopped the boarding up of small town windows. Agriculture is by far the largest industry in Idaho and will be for a long time, but rural issues are much broader than agriculture. Idaho has forestry, mining, and tourism-dependent small towns, as well. There are rural problems relating to health, transportation and education.

This point has two implications. One is that USDA programs should be adjusted to enhance this broader clientele as much as possible. The Extension Service should be encouraged and funded to educate and support such areas as community development, off-farm employment opportunities, recreation and tourism development, food safety, pesticide use issues, and water quality. Resource Conservation and Development districts [RC&D] of the Soil Conservation Service [SCS] should be expanded to their full authorization and funded to realize their potential as effective community development resources. Farm Home Administration [FmHA] infrastructure and business programs could be more effectively

marketed to potential users. I hope Congress will consider packaging several related pieces of rural development legislation, including USDA, Small Business Administration [SBA], and rural health programs.

A third point to consider in designing legislation is that key rural issues vary in different parts of the country. While the most important rural issue in the South may be remedying pockets of persistent poverty and areas of the Northeast face rural growth issues, the major rural development issue in the West concerns distance and sparse population. The cost of providing service is higher in areas of low population density, a fact that has resulted in losses of many services in Idaho--including rail and trucking transportation.

The point is that because problems vary, solutions will also vary. While rural enterprise zones may fit the Southeast, the concept does not always adapt well to our wide open spaces. Here the use of information technologies for long-distance learning may be an effective way to even the playing field in isolated areas. It is vital that we allow some flexibility in designating the use of federal resources, preferably by involving the states. Again, I quote Governor Andrus:

> Where I would differ from the proposed Senate legislation is in denying the states a bigger role in the process. States are in a much better position to identify problems and priorities, and, in my opinion, are always more efficient administrators. States are laboratories for policy experimentation. My plea once again to the federal government is do not just give us a new mandate, but for once, let some of the money flow with maximum flexibility.

One way to expand that flexibility with existing programs is to roll Economic Development Administration [EDA] and/or FmHA rural community programs into state block grants.

Having pointed out the regional variation, let me now speak of four commonalities I see in rural needs. The first is that if rural areas are to respond to changing global forces and if rural economies are to diversify beyond the production of commodities, then we need good entrepreneurial training programs to encourage and direct the flow of individual creative forces within our free market system. Training in marketing, finance, record keeping, personnel handling and good business management will help reduce the failure rate of new business start-ups. All of these skills are developed through a good business plan. Vocational education and the Small Business Development Center [SBDC] system may be the best levers to advance this knowledge, and Extension can also help.

The second key to small business success is sufficient starting and operating capital. It appears to me that existing financial institutions are leaving a gap in the credit they provide. This gap is particularly acute for small- to medium-sized businesses in the mid- to high-level risk categories and particularly for nontraditional types of businesses in rural areas. The provision of local revolving loan funds in Senate Bill 1036 is a good attempt to address this issue, and I especially appreciate the priority given to state participation.

Thirdly, a major goal of your legislation should be to empower local communities to plan and strive for a future of their own design. One way for you to help would be a grant program to cities who have completed a strategic planning process approved by the state. Such community certification programs currently exist in roughly half the states and can be quickly implemented in

the rest. Modest challenge grants, perhaps as little as $25-50,000 per community, would be offered to implement one of their top priority items. This assures efficiency in the use of federal funds, and at the same time it offers flexibility. The small grants will require innovative solutions and the leveraging of federal funds in many cases. Such a program could be inexpensive and effectively touch the lives of millions of rural people.

The last common need is for investment in the construction and use of rural telecommunication systems. Here again I laud the provisions of the Senate legislation, both for giving the Rural Electrification Administration [REA] a new challenge in system improvement and for providing for the development of new uses of information technologies in the areas of education, health services, and business. This appears to me to be a promising way to bridge the miles and link the most rural areas into a global economy. We should remember to use the entire spectrum of new opportunities for voice and data transmission, from hard-wired systems to satellite and microwave transmissions, public television, and the like. We must also be careful not to allow the telecommunications to be controlled for only a narrow range of use, but to open it up for creative uses by private business, government, and educators. Rural people need up-to-date information to face their many challenges.

To close, let me comment briefly on the Senate Rural Partnerships Act of 1989. It is a good beginning, but it can be improved. It can be improved by offering more flexibility to tailor appropriate programs for each region. It can be improved by using the states in a much greater capacity, and it can be improved by providing a greater role for the Extension Service, the land grant

universities, SCS, RC&D, and, if possible, the SBDC system, as well as REA. Aid to Rural America does not have to break the budget. Give us modest, but flexible programs targeted to the truly rural and distressed areas, and you will help us help ourselves.

Thank you.

Testimony of:

JAMES V. HAWKINS
Director, Idaho Department of Commerce

Chairman English, Congressmen, Representative Stallings, and Fellow Idahoans:

On behalf of Governor Cecil Andrus and the people of the State of Idaho, I too would like to welcome you to our great state. Thank you for this opportunity to explain the needs of rural Idaho, and to make suggestions on how the Federal Government can best help the rural development efforts of Idaho and the United States. My message today will build on the comments made by the Director of Idaho's Department of Agriculture.

Rural Need

In 1986, when I began my tenure as Director of the Idaho Department of Commerce, the first thing we did was tour the entire state, visiting various communities and talking to Idaho's people. Now, in Idaho, when we say rural, we mean cities of less than 10,000 population or 188 of our 199 cities. What we found in these rural communities were stagnant economies, declining populations, no jobs to keep the young people in the community, vanishing rural hospitals, struggling school systems, and inadequate and often unsafe sewer and water systems. Even after three very successful years, these problems persist in rural Idaho. I suspect the same is true for other rural areas in America.

In the slightly more than two hundred years this nation has existed, there has always been a policy of encouraging Americans to settle the land and to make productive use of its resources. A nation was built upon this policy and a legacy of rural communities and lifestyles was the result. It seems unwise to

withdraw from this effort either consciously or passively, and that is why we are discussing a rural development effort of national proportions. We need to reverse the rural decline that intensified during the past decade.

As such, I would like to spend by limited time here today making three simple but far-reaching recommendations drawn from my experience in the development of rural Idaho.

Recommendation 1:

Rural development is broader than just agriculture.

I agree with Mr. Rush in that we can no longer substitute agriculture policy for rural policy. In Idaho, as in many other states, communities depend upon mining, forest products and tourism as well as agriculture. Tourism is estimated to be the third largest and possibly the fastest growing industry in Idaho. When one considers food processing and wood products production, manufacturing is an industry critical to rural Idaho. We need rural development programs and policies that will encompass the entire range of issues and needs of our rural communities. This requires a broad view of policy implementation.

In the West, this means we will need help to overcome our distance problem. Help to reduce isolation and time-distance with efforts to encourage not only telecommunication system construction, but applications that will familiarize rural Americans with the possibilities technology offers.

Realize that health care and education for rural America are development issues of equal importance to jobs and investment. Any measures to help rural hospitals, promote the locating of doctors in rural America, and help smaller schools to survive are rural development measures.

Finally, we need a national policy that promotes the use of vast western natural resources for economic trade as well as recreation. For those areas managed for resource extraction and harvest, provide more than the raw material. Provide technical assistance and research to add value and capture world markets for what are otherwise basic commodities. We in the West cannot avoid our natural resource base, we need help in using it more wisely and to produce more value than traditional methods of product development. Help us to apply information and technology to our natural resources to create new products that are competitive on the world market. I applaud the U.S. Forest Service Economic Diversification Grants and the EDA Rural Tourism Study currently underway as examples of programs that help rural America.

Point 2:

Flexibility:

Give us legislation that allows the flexibility for states to design programs that meet their unique needs. To quote Governor Andrus:

"States are in a much better position to identify problems and priorities, and, in my opinion, are always more efficient

.dministrators.....My plea once again to the federal Government is do not just give us a new mandate, but for once, let some of the money flow with maximum flexibility."

I would recommend the use of the block grant approach for the delivery mechanism that best achieves flexibility. Our experience with the HUD-funded Community Development Block Grant program can be used to illustrate the need for flexibility.

In the first seven years of the Idaho CDBG program, we received a total of $53 million in Federal funds. A small sum by most standards. With this we were able to leverage over $100 million in other funds and accomplish 241 total projects including sewer and water projects, senior centers, housing rehabilitation, and public facilities while creating more than 4,000 jobs for rural Idahoans.

In the last two years of the program we have been able to focus a portion of the resources on economic development projects, defined as those that have a job creation potential. In 1988 we were able to create 1575 jobs with these grants. In 1989, through twelve economic development projects totaling only $2.3 million in Federal funds, we were able to leverage over $78 million in additional investment. That is cost effectiveness! These projects included grants to cities to provide infrastructure enabling the start-up or expansion of businesses in several small communities. Many of the businesses involve value-added processing or manufacturing of Idaho commodities.

We are now in jeopardy of losing the CDBG program by reductions in funding or losing our flexibility to apply it to our needs. Several of the projects I just mentioned would no longer be possible because of changes in HUD regulations.

I would ask you to continue to support the Community Development Block Grant small cities program. Although it may lie outside the purview of this committee, guard it diligently from the broader criticism of HUD for urban scandals that may unfairly hurt this most rural program.

As you take a comprehensive look at Federal rural development policy, consider using the block grant method with the Economic Development Administration and Farmers Home Administration to complement the Community Development Block Grant Program. This would allow for better coordination of the overlapping mission of public works in EDA, public facilities in CDBG, and sewer and water under FHA. Block grants in all three areas would also allow advantageous scheduling in grant cycles, and would produce less confusion at the local level about where to go for assistance.

While requesting more flexibility for the states in rural development, I would also ask that you avoid placing new mandates and resources into organizations unwilling to change. A scriptural metaphor serves as great guideline "Do not put new wine in old wine skins."

Similarly, please steer clear of more information centers and clearinghouses located in suburban Maryland or Virginia. We suffer from a chronic abundance of information flow rather than a lack of it. Resources can be better utilized when they go directly to rural areas.

Point 3

Modest Resources and Capacity Building:

We do not need a huge new expensive program for rural development. A continuation of some existing programs with added flexibility and some modest resources in a few specific areas will suffice. Allow us to use those resources to build more local capacity and reduce the dependence of communities and individuals upon external help. With strategic intervention that builds independence, modest resources will go much further when used by units of government experienced at stretching the buck.

In this past year we implemented the Idaho Gem Community Program to provide training and technical assistance that equips local leaders to do their own economic development. The program is designed to give local leaders better knowledge of the community development process and the resources or strategies available to them. The program encourages the community to make choices and become more independent of external organizations. This is done through a series of training and planning workshops culminating in the development of a community strategic plan.

Wi. 'a budget of less than $50,000 and one full time staff member, we were able to carry this program forward. After a single year working with sixteen rural communities, I am pleased by the wonderful diversity of economic development strategies that were Idaho-grown and Idaho-owned. After each community carefully and objectively considered its strengths, weaknesses, opportunities and threats, they arrived at solutions that emphasized Idahoans as part of the remedy. This self-reliance is a strong step away from external dependence and a strong step in the direction they need to go to for revitalization. When communities use the scalpel of precise and appropriate strategies rather than the sledge hammer of overwhelming financial resources, they encounter success.

I' addition to programs helping communities become independent, programs should also help individuals achieve independence. As such, I recommend that you support programs that enable states to develop the entrepreneurial talents of their citizens. The only way to bring about permanent solutions to the problems of rural America is permanent change. Help make rural individuals into producers rather than consumers, and owners rather than employees.

After you help individuals become entrepreneurs, use modest matching funds to provide non-restrictive revolving loan funds that can bridge the capital availability gap. This gap is more intense in the West where history and sparse population have resulted in few capital resources or centers of wealth. Moreover, ; vast distances of the West amplify both real and perceived

ri in capital investment and lending. Without some capital infusion into young businesses, deserving and talented entrepreneurs are quickly defeated and return to a life of dependence.

In conclusion I would reiterate my three simple points.

* Rural development must encompass more than just Ag. policy. I encourage Congress to take a comprehensive approach to rural policy.

* Allow states the flexibility to fashion their own solutions. We have proven our efficiency and effectiveness when given the flexibility to do the job.

* Modest resources will suffice if correctly applied. We are experienced in stretching the dollar for results. We welcome even modest resources when they can be strategically applied to produce independence.

Thank you for hearing my recommendations.

CHAIRMAN ENGLISH, CONGRESSMAN STALLINGS, LADIES AND GENTLEMEN. 5/.

SINCE HAVING BEEN ASKED TO PARTICIPATE ON THIS PANEL I HAVE SPENT MANY HOURS THINKING, TRYING TO COME UP WITH THE ONE KEY INGREDIENT NECESSARY FOR RURAL ECONOMIC DEVELOPMENT. AFTER MUCH THOUGHT I HAVE NARROWED IT TO EDUCATION.

LET ME EXPLAIN. IT'S NOT JUST THE MATH, SCIENCES AND ABC'S OUR CHILDREN RECEIVE IN ELEMENTARY AND SECONDARY SCHOOLS. IT IS THE REALITY THAT WE RURAL CITIZENS MUST FACE AND THAT IS THAT WE ALONG WITH THE REST OF SOCIETY LIVE IN A HIGH-TECH WORLD. NO LONGER CAN A RURAL BUSINESSMAN (WHICH INCLUDES FARMERS) CARRY OUR MONTHLY BUSINESS DEALINGS IN OUR SHIRT POCKET. NO LONGER CAN WE COME HOME AND GIVE MOTHER A BUSINESS RECEIPT TO PUT IN A POCKET CALENDAR ON THE KITCHEN WALL ONLY TO VIEW AGAIN AT THE END OF THE YEAR TO DECIDE HOW MUCH WE MADE OR LOST. NO LONGER CAN WE TUCK I O U'S IN A CASH REGISTER AND HOPE IT GETS PAID SOME DAY.

REALIZING NOW, WE LIVE IN A HIGH TECH WORLD A SUCCESSFUL BUSINESSMAN MUST START WITH A BASIC . DAILY, WEEKLY, MONTHLY YEARLY, AND YES EVEN A FIVE TO TEN YEAR LONG RANGE PLAN. WE MUST EMPLOYEE AN ACCOUNTANT, AN ATTORNEY AND NECESSARY ADVISORS TO ORGANIZE A WORKING, PRACTICAL BUDGET AND THEN GO TO WORK TO ACCOMPLISH OUR GOAL.

WE MUST HAVE HELP IN EVERY ASPECT OF OUR BUSINESS SUCH AS MARKETING, PURCHASING, COST ANALYSIS, ETC. PUT THIS IN A COMPUTER AND LET IT TELL US IF THE INCOME EXCEEDS THE EXPENSE.

FARMING HAS BECOME A BIG BUSINESS. NEARLY TWO THIRDS OF THE FOOD AND FIBER IN THIS COUNTRY IS PRODUCED ON OPERATIONS THAT ARE WORTH ONE MILLION DOLLARS OR MORE HOWEVER, RURAL BUSINESS RECORD KEEPING HAS NOT KEPT PACE. THIS PUTS THOSE BUSINESSMEN AT A DISADVANTAGE. IN MY OPINION THE FARM CRISIS OF THE 80'S WAS A CONSEQUENCE OF DECISIONS MADE BY PRODUCERS, BUSINESSMEN, LENDING INSTITUTIONS AND ACCOUNTANTS WITHOUT A SOLID UNDERSTANDING OF FINANCES. THE PROBLEM WAS AND IS NOW, THAT THE RECORDS KEPT WERE NOT REALISTIC AND PRACTICAL ACCEPTED ACCOUNTING PRINCIPLES. IN OTHER INDUSTRIES SINGLE ENRTRY ACCOUNTING WENT OUT WITH THE HORSE AND BUGGY. BUSINESSMEN RELYING ON CASH ACCOPUNTING FOR ANYTHING MORE THAN TAX AVOIDANCE OFTEN DON'T HAVE A CLUE TO THE FINANCIAL STRENGTH OF THEIR OPERATION. ACCRUAL ACCOUNTING IS AN ABSOLUTE NECESSITY.

NOW HOW TO HANDLE THE PROBLEM. WE NEED TO HAVE OUR HIGHER INSTITUTES OF LEARNING OFFER COURSES AIMED AT RURAL SMALL BUSINESSES AND PLEASE REMEMBER THIS INCLUDES FARMERS RATHER THAN PUT ALL OF THEIR FOCU! ON LARGER DEPARTMENTALIZED, CORPORATE BUSINESSES.

INSUFFICIENT EMPHASIS IS BEING PLACED ON RURAL BUSINESS MANAGEMENT ASSISTANCE BY EXISTING INSTITUTIONS.. I THINK THE COUNTY EXTENSION SERVICE, SMALL BUSINESS ADMINISTRATION AND FHA HAVE THE CAPACITY TO BE OF MUCH GREATER SERVICE TO RURAL BUSINESSES WITH A MODEST CHANGE IN ACTIVITIES. ALSO RURAL BANKERS OFTEN LACK KNOWLEDGE AND EXPERIENCE WITH

LOCAL, STATE, AND FEDERAL LOAN PROGRAMS THUS ELIMINATING POSSIBLE LOW INTEREST LOANS TO QUALIFYING RURAL BUSINESS MEN. TRAINING FOR THESE LOANING INSTITUTIONS COULD SIGNIFICANTLY ENHANCE THE AVAILABILITY OF DEBT CAPITAL TO RURAL BUSINESSES. MUCH OF THE ORGANIZATIONAL INFRA-STRUCTURE IS IN PLACE, BUT, SIGNIFICANT REDIRECTION OF THESE RESOURCES WILL BE REQUIRED TO PROVIDE THE NEEDED TECHNICAL ASSISTANCE.

MANY RURAL COMMUNITIES AND RELATED BUSINESSES HAVE FAILED TO EVEN BEGIN TO ENTER THE HIGH TECH ERA AND ARE IN FACT CONSTRAINED FROM DOING SO BY THE LACK OF ACCESS TO SUCH SIMPLE TECHNOLOGIES AS FAX ,AND COMPUTER MESSAGES, SUCH DEFICIENCIES MAKE IT MUCH MORE DIFFICULT FOR RURAL COMMUNITIES TO ATTRACT OUTSIDE INVESTORS. BUILDING AN ADEQUATE RURAL TELECOMMUNICATIONS SYSTEM WOULD REQUIRE SUBSTANTIAL PUBLIC INVESTMENTS WHICH IN MY OPINION IS NOT LIKELY TO BE MADE UNDER CURRENT GOVERNMENT POLICIES.

AS A WHOLE I THINK OUR BASIC INFRASTRUCTURE IN THE SEVEN COUNTIES I REPRESENT ARE A LITTLE ABOVE AVERAGE, REALIZING THAT AVERAGE IS THE BEST OF THE WORST OR THE WORST OF THE BEST.

WE DO HAVE HOWEVER. TWO CRITICAL AREAS THAT MUST BE ADDRESSED. # 1 SOLID WASTE. I AM NOT GOING TO ATTEMPT TO COVER THIS ISSUE AS I HOPE OUR TWO GOOD COUNTY COMMISSIONERS WILL SPEND SOME TIME ON THIS. # 2 IS RUEAL HEALTH CARE. AGAIN I DON'T HAVE ANY ANSWERS BUT I

DO FEEL IT IS AN ISSUE THAT MUST BE ADDRESSED BY LOCAL, STATE AND FEDERAL ENTITIES FOR THE RURAL COMMUNITIES.

THE CHANCES FOR SUCCESS OF RURAL DEVELOPMENT ARE DEFINATELY ENHANCED BY FORUMS SUCH AS THESE I APPLAUD AND THANK YOU GOOD CONGRESSMEN FOR YOUR EFFORT AND CONCERN ON OUR BEHALF.

MY CONCLUSION IS THEN, IF NOTHING IS DONE NOW OR IN THE NEAR FUTURE SOCIETY WILL PAY EVENTUALLY IN TERMS OF HIGHER UNEMPLOYMENT, WELFARE PROGRAMS AND LOWER PRODUCTIVITY.

THANK YOU

JIM CHRISTIANSEN
IDAHO STATE SENATOR
DISTRICT # 29

TESTIMONY BY STATE REPRESENTATIVE JOHN O. SESSIONS, CHAIRMAN
IDAHO HOUSE TRANSPORTATION AND DEFENSE COMMITTEE

TO

HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION,
CREDIT AND RURAL DEVELOPMENT

AUGUST 22, 1989

LET ME BEGIN MY REMARKS BY THANKING YOU FOR SCHEDULING THIS HEARING FOR THE PURPOSE OF RECEIVING INPUT AND RECOMMENDATIONS REGARDING RURAL SMALL BUSINESS AND COMMUNITY ECONOMIC DEVELOPMENT. HOPEFULLY THROUGH THIS EXCHANGE OF IDEAS MANY POSITIVE BENEFITS WILL BE FORTHCOMING.

REGARDING SMALL BUSINESS DEVELOPMENT, LET ME GIVE YOU SOME SPECIFIC DETAILS OF A SITUATION PRESENTLY EXISTING WHICH IS INHIBITING GROWTH AND EXPANSION OF A SUCCESSFUL SMALL BUSINESS ENTERPRISE LOCATED IN MY COMMUNITY. THE BUSINESS I REFER TO IS A SMALL PUBLISHING OPERATION WHICH PERIODICALLY PUBLISHES THREE MAGAZINES AND A NUMBER OF BOOKS RELATING TO HOT ROD MECHANIX, HOT RODDING, AN CUSTOM CARS. THE FIRM PRESENTLY EMPLOYS EIGHT PERSONS ON A FULL TIME BASIS. AFTER THE PUBLICATIONS ARE DEVELOPED IT IS NECESSARY TO TRAVEL TO JACKSON, WYO., TO HAVE THEM PRINTED ON A HIGH SPEED, FOUR-COLOR WEB OFF-SET PRESS AND SUBSEQUENTLY BOUND. IN DEVELOPING, PRINTING, AND DISTRIBUTING THESE PUBLICATIONS, A CONSIDERABLE AMOUNT OF CAPITAL IS REQUIRED. ALSO A SHORT TIME LAG EXISTS BETWEEN THE TIME OF PUBLICATION, THE SALE, AND THUS THE RETURN OF OPERATING CAPITAL TO THE PUBLISHER.

EFFORTS TO BORROW SHORT-TERM OPERATING CAPITAL, BOTH FROM THE SMALL BUSINESS ADMINISTRATION AND LOCAL BANKS BY THE BUSINESS OWNER-OPERATOR HAVE NOT BEEN SUCCESSFUL. IT SEEMS THESE ENTITIES ARE RELUCTANT TO MAKE LOANS FOR PUBLISHING TYPE OPERATIONS.

IF SHORT-TERM CAPITAL WERE AVAILABLE TO THIS WELL ESTABLISHED AND REPUTABLE OWNER-OPERATOR, HE HAS PLANS AND THE POTENTIAL TO EXPAND OPERATIONS WHICH WOULD PROVIDE 30 FULL-TIME EMPLOYEES

IN ADDITION TO THIS PUBLISHING OPERATIONS, THERE IS A POTENTIAL FOR SEVERAL OTHER SMALL BUSINESS TYPE OPERATIONS. SOME OF THESE WOULD BE: SKIING, HUNTING, FISHING, SNOWMOBILING, BACKPACKING, AND OTHER OUTDOOR RECREATIONS RELATED ACTIVITIES. THERE IS ALSO POTENTIAL FOR AIRCRAFT MAINTENANCE, ALFALFA PELLET MANUFACTURING AND RELATED FEEL MILL OPERATIONS, COMMERCIAL REFRIGERATION SERVICES, AND OTHERS. CONSIDERING THE ENVIRONMENT AND LIFESTYLE, TETON VALLEY SHOULD BE CONDUCIVE TOWARDS ATTRACTING INDIVIDUALS AND ORGANIZATIONS FOR SO-CALLED "THINK TANKS", ARTISTS RETREATS, ETC. CONCERNING COMMUNITY DEVELOPMENT, I HAVE NO SPECIFIC RECOMMENDATIONS AT THIS TIME. THERE ARE PRESENTLY SEVERAL ORGANIZATIONS WORKING WITH LOCAL ELECTED OFFICIALS WHO ARE EXPLORING POTENTIAL DEVELOPMENT ACTIVITIES. THESE EFFORTS SHOULD BE CONTINUED.

IN CLOSING, LET ME AGAIN THANK YOU FOR SCHEDULING THESE HEARINGS, FOR YOUR PAST SUPPORT, AND FOR YOUR VITAL INTEREST IN THE FUTURE ECONOMIC DEVELOPMENT OF RURAL IDAHO.

TESTIMONY OF FRANCES D. JENSEN
BEFORE HOUSE AGRICULTURAL SUBCOMMITTEE
ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT
August 22, 1989
Blackfoot, Idaho

Chairman English and Congressman Stallings:

I thank you for the opportunity to participate in this hearing. There will probably be a lot of different ideas presented here today so I would like to ask two questions first and then to focus on two areas that I have been thinking about for some time.

Several years ago I was listening to the radio early one morning and there was a panel of people discussing the outlook for business, farming, etc. I don't even know what the panel was but they made a statement that really bothered me. They said the future trend of the government was to eliminate all small family farms - all small business and the likes. They wanted everything to be run by corporations.

At the time I was farming and also working off the farm and thought, "This will never happen."

It only took a couple of years for me to realize that this trend was really beginning to unfold.

Everything was geared for mass buying, mass selling for things could be bought or sold a lot cheaper when they were handled in larger quantities.

But look what has happened. Around me where they previously farmed 80 acres they farm hundreds and thousands. You can drive down the streets in Blackfoot, Firth, Shelley, Idaho Falls or nearly any town you want and there are empty buildings where once were thriving businesses.

Now you go back to the starting of our country and what was it that made us so desirous to be free? It was so we could have our family farms, our small family businesses and run them the way we wanted. If we did a good job we prospered. If we didn't we went broke. We had pride in what we did and wanted every one to know it.

The questions for today were - "What proposals do you support to enhance rural areas? What would your proposals cost? What role would your organization be willing to contribute to them?"

My first proposal is to teach our young and old alike that an education is one of the most important things we need to have. I would like to show the difference in money value throughout our life between earning minimum wages and having a vocation. Teach

the young people that it is still honorable to sweat and get your hands dirty by doing some good old fashioned hard work. This would cost us nothing for it is already allowed for in our educational system. Teach the young to budget, spend what they have and other basic skills that will help them be useful to society.

The government needs to realize the backbone of American is still the people, small family businesses and family farms and ideas that can be realized through dreaming, experimenting and trying to again realize the old American dream that anything is still possible here.

How do we get these dreams instilled back in people and how do we get businesses and large industries or what ever we want for economic purposes to come to our communities?

How many of you have driven through a town and looked at old run down buildings, dirty streets and in general shabby conditions and made the statement, "Boy, I certainly wouldn't want to live here"? On the other hand we have been places where we have said, "How nice and clean and I wouldn't mind living in a place like this."

When businesses are looking for a place to open up new branches or even start, they look for all sorts of things like power costs, sewer services, transportation, etc., but one of the most important is what the community looks like.

So I guess we need to clean up our act, so to speak, and everyone take pride in their community, homes, business and what ever we have a part in.

We need the governments, we need the big businesses, we need the family farm and small shops and hamburger joints and what ever else it takes to make our town thrive and prosper and help our young and old and all those in between be happy. We need to be interested in what is happening to our neighbors and friends and be willing to lend a hand to make their business and industries go forward and work.

Let's be proud of who we are and what we are - moving forward in all directions, working together for a better, more prosperous and happy community in which we all can live.

How many of you have thought about our insurance program that each of us belong to? It seems that we are about mandated to have auto insurance, fire insurance, theft insurance and health insurance and what ever other kinds of insurance each of us have.

I don't know about you but for the last few years my premiums have been going up each year and they are to the point I wonder sometimes if I can keep them going.

This year in our county we discussed with our people different policies and ways to go.

Nearly every time we met the statement was made, "What ever raise we get through cost of living it is all eaten up by the increased cost of insurance."

This year our premiums went up about 30% and this has been the trend for sometime.

Our older people can't afford a lot for insurance and the Medicare and Medicade don't take care of all their needs.

I don't know the answers but need to have all of us try to find a way to have insurance companies make it so we can still be insured and still live with the costs. This would help our ecomonical development greatly.

The second question is about our welfare system.

We know that there are a lot of people who need help and are dependent on the welfare system to survive.

There are some flaws as we all know. I have talked to some widows who are getting assistance. They would like to get jobs and work out but said they were told if they get a job and made some money their assistance would be taken away.

What would be wrong with encouraging people to get jobs and earn what they can even if it is minimum wages and then subsidize them with the rest so they can live? It would save us a lot of money if people were encouraged to work and also give them a sense of worth. It would add to the economy of the community and what better way to help the Economical Development of a community than to develop its' people along with its' businesses.

Testimony Presented to the
Members of the House Agriculture Subcommittee on
Conservation, Credit and Rural Development

August 22, 1989
Blackfoot, Idaho

Good Morning! My name is Bill Whittom, and I am the Mayor of the City of Rupert, Idaho. I am here today representing my community and also the other cities in Idaho on behalf of the Association of Idaho Cities.

I am happy to testify this morning to give you my thoughts on the general status of rural communities in Idaho and what can be done at the federal level to encourage rural community economic development.

Idaho is a state of small communities. Of the 199 incorporated cities, only one has a population of greater than 100,000. Only twelve communities have populations greater than 10,000. Most significant, one hundred and twenty cities have populations of less than 1,000. Our smallest community, Warm River, has an official population of just two persons. My city, Rupert, has a population of 5,340. Of the total state population, 61.3 percent live in cities. In a nutshell, small communities are the lifeblood of Idaho.

Our small communities require a different level of attention from the federal government. Many of the grant programs available to urban America are not designed for small, rural communities. When the Federal Revenue Sharing Program was disbanded a few years ago, Idaho's communities lost, in many cases, their only source of federal assistance. In addition, Idaho's cities have been constrained since 1978 in our ability to raise revenues at the local level. Particularly property tax revenues. The Advisory Council on Intergovernmental Relations has ranked Idaho's local governments last in discretionary authority. As your committee considers programs in rural development, please keep the small communities of the nation -- Idaho's small communities -- in mind. Our resources for taking on federally mandated programs are extremely limited.

You've probably heard this before, but I think it needs to be restated: Small communities in Idaho are especially vulnerable to the dramatic impacts of federal mandates. In particular, we are becoming increasing burdened with the responsibility to meet environmental protection mandates with very little help from the federal government. Small communities do not have the resources to pay for the costs of these mandates on their own. Cities in Idaho want to be good partners in carrying out federal policy initiatives -- but we cannot do it on our own. Expanding the permissible uses of existing funding programs such as FmHA, SBA, or others to focus on rural development would be helpful.

Currently there are four USDA funding programs, and possibly two in HUD which provide grants or low cost loans for infrastructure development. These programs should be evaluated to determine if the funding available could be applied to rural infrastructure development.

For example, small cities in Idaho will soon be faced with new EPA mandated standards for drinking water quality. I believe the federal government's participation in funding the costs of those new standards is something like $62 million nationally. Well, that amount is just a drop in the bucket. If a small city in Idaho has to fund a $250,000 surface water filtration project to comply with those standards, chances are pretty good that the money won't come from that $62 million. That small city will be looking for funding from other sources -- FmHA, Community Development Block Grants -- any source of funds to get the job done.

Our cities' role in promoting rural development really focuses on providing the infrastructure necessary for economic development. I believe that there is no shortage of good, innovative ideas about how we can make the small cities of Idaho a great place to live. What cities need are additional resources to ensure that our citizens have the basic services that they need -- clean water to drink, good streets to travel on and to get goods to markets, safe bridges to cross, and adequate sewer systems. Without these basic services you cannot expect to expand industries, attract new ones, or expect to have the kind of growth that allows families to raise children who will be able to grow up and have the opportunity to work in their home town. The role of city governments is to provide for the infrastructure that makes our communities good places to live. Perhaps an emphasis on funding the "basics" will translate into the rural success stories you will share in the future.

I already touched on the possible funding for rural development from USDA and HUD programs. Another source of funding could be discovered by reassessing the production-oriented support and buyout programs that the federal government administers. Why not shift some of those federal dollars and invest in the infrastructure of rural communities?

As you consider the administration of a rural development assistance program for small communities please remember that small communities, with part-time mayors like myself, need access to timely information about the rural development programs that are available. The Association of Idaho Cities, and other municipal leagues across the country, can provide valuable assistance in getting program information to small community officials. Federal agencies administering programs need to be reminded that their programs should be designed with the "end-user" in mind.

In addition, I would like to see rural development assistance programs designed in such a way that the formulas used in disbursing funds be weighted in favor of community projects which are oriented to agriculturally-related results. If a program is designed for rural development, then let's make sure that the benefits are felt in rural communities.

Today you will hear from different witnesses who will offer you a variety of ideas on how rural economic development can be accomplished. I mentioned earlier that cities want to be good partners. So, I am offering my help, and that of the Association of Idaho Cities, to work with you as you develop your strategy for getting the job done. The AIC is ready to share your ideas with its member cities. We are willing to ask our members to respond critically to proposed programs. We are prepared to promote legislative initiatives which are beneficial to Idaho's cities and the rural communities of the nation. Thank you very much for allowing me to testify this morning.

REVISED COPY

Testimony on Rural Development
U S House of Representatives
Committee on Agriculture

August 22, 1989; Blackfoot Idaho

by Neil Meyer
Extension Professor–Rural Development
University of Idaho
Cooperative Extension System

We have 42 county offices for the Idaho Extension System. That means that there are representatives in 42 of the 44 counties in the state. In rural development, we have a total of two full-time people. I am half-time Extension, another person is half-time Extension. We have one full-time person in research. So please realize that every time I am working with the county agent or home economist, I am basically twisting their arm and stealing time from some other program. We are not highly funded. Within our program area, we work in impact analysis, fiscal analysis, rural business development, and rural leadership. Let me describe what we do through a couple of examples.

For impact analysis, we have done two things recently, one is looking at the impact on Ada and Elmore County of the expansion of the Mountain Home Air Base. Namely, about 2,000 people are going to be added with 50 more airplanes. This change is basically going to add about $39 million annual military payroll, another $2 million annual civilian payroll to the impact area. Additionally, there is a construction impact of $14 million in one year, $18 million in the second year.

Why is that important?

What we have been able to do with the analysis is point out what the total effects could be. We are estimating about $58 million annually, plus the construction. A lot of that income is likely to go for things like rental housing, retail trade, eating and drinking establishments, demand for education, etc. The things that we provide in an analysis is trying to figure out what is the impact going to be on which sector.

A second example of what we are doing is a study just completed in Orofino, Clearwater County. The study relates to "what is the importance of the hospital and medical care system to the economy of that county". What did we come up with? About half of the revenue that that hospital takes in goes out of the county. Firms do not exist in Clearwater County or even northern Idaho to supply their needed inputs. But the nurses, the hospital maintenance staff, the cooks, the doctors, and other employees receive almost half the hospital's expenditure. A major share of local expenditure stays in the local county. The other conclusion we came up with from the analysis was that for every dollar taken in, they could afford to subsidize up to twenty-three cents and still break even as a county. Why? Because of induced economic activity and because it is important to keep medical services in the county for quality of life reasons.

Based on your comment, Rep. English, I would like to add one of the problems we have in rural areas is that hospitals are penalized for being low cost. We, the US Government has a two-tier payment system. So if you are in a lower-cost area, you get a lower payment for the same service. It makes it very difficult to survive when you have a twenty or a thirty percent occupancy rate and you are competing with hospitals with eighty and ninety percent occupancy rates.

For rural transition, we have talked a lot about jobs. Most of the jobs in this country, the new jobs, are created by small firms. A lot of them are created by guys or gals that have an idea and turn it into a business. It is not the big corporations that are creating the jobs. They may transfer them around the county, but they are not creating the jobs. When we look at the local communities, the rural development program helps conduct rural trade analysis. We help examine what has happened to a community's retail sales? What are the trends? Based on a county's income and population, is it getting its share? Or is the county losing it to neighboring counties? If you are losing it to neighboring counties, why? Are they selling something you are not? Are they better businessmen? Those are examples of the kinds of information we think citizens in a local community need to redesign their business sector.

A third area is fiscal analysis. This relates to what is happening to the tax base. I think every county official, state official or city official deals with tax base and revenue. If your jurisdiction is growing, you have the possibility of more revenue, but you have more service demands. If you are not growing, you have less revenue, the same service demands, and you get the choice of raising taxes or cutting services. None of them are very pleasant to any of us. Fiscal analysis is aimed at identifying what is happening and at the county and local level identifying decision choices.

A fourth area that we are working in is what I would call rural business development. This is a sub-sector of the GEM communities program of the Idaho Department of Commerce development. The Small Business Administration and a number of other people are also working in that area. The role that Cooperative Extension is trying to fulfill is workshops on home-based business. This is done by both home economists and ag agents. It is a role of helping people determine personal and business goals. To answer such questions, as do I want to develop a home-based business? Is it consistent with my family goals? Family and personal goals must be consistent to make it run. If they answer yes to the above questions, then we invite them to a workshop and help develop simple business plans. Is the student going to do a hobby that covers its costs? Is he/she going to do a business to make money? The goal of Cooperative Extension being more jobs and higher income for people in rural areas. Extension's role has been helping people think through process. Ron Hall and the people in the Small Business Development Centers do not have the personnel to help every person that thinks they might want to go into business. We in CES can help people sort that out, develop a simple plan, and when they get to the point where they need highly sophisticated help, then we send them to the Small Business Development Centers nearest them.

Another example of rural business develop is alternative agricultural workshops. We have done one in the north part and have two more planned for 1989. What we are doing there is identifying ideas, identifying management practices and identifying marketing techniques. Then helping people to identify a market niche. Also, helping them decide if they want to do a retail, catalog or to do a wholesale marketing plan. Individuals have to decide their goals if they are going to make money at these ideas. Our goal has been to help them think through and start the process.

A third area came up earlier. It is a program through our county production agents. We call it FINPACK. It is a financial testimony management package for agricultural producers. It is a record keeping system that helps people analyze their business so they can know how much a pound of gain, or a bushel of wheat, or a hundred weight of potatoes cost them. Then they can go ahead and figure how to market it. I think it is a very necessary part of managing agricultural production. We have not expanded this program into other small businesses at this point.

A final area is Leadership Development. This is through Family Community Leadership by CES in cooperation with the Idaho Homemakers Council. It is aimed at training people, both male and female, by giving them experience in leadership, group processes, identifying their goals, the community's goals, and then going ahead and implementing the planned ideas. It is educating people to take control of their own destiny. These people then work in 4H GEM Communities, and other programs throughout the state.

Obviously, I tried to make the case here that we are very limited on resources. We try and cooperate with the various other agencies. But we do not have a lot of resources in Idaho, and there is no way that we can comply with all the demands. We try to operate on a first-come-first-served basis, but we have limited budgets also. There is a proposal in the state of Idaho that will be submitted to the record. But I would like to reemphasize, we are an educational institution. I am talking about Cooperative Extension System. But we are noncredit, and work off campus, helping people get a handle on identifying their opportunities and influencing their own destiny.

Thank you.

COOPERATIVE EXTENSION SERVICE
University of Idaho and U.S. Department of Agriculture Cooperating

October 6, 1989

Mr. Jerry Duval
US House of Representatives
Committee on Agriculture
1301 LHOB
Washington, DC 20515

College of Agriculture
Department of
Agricultural Economics
and Rural Sociology
University of Idaho
Moscow, Idaho
83843

208-885-6262

Dear Mr. Duval:

Enclosed is a copy of the recorded testimony marked up. I am also enclosing a revised copy of my testimony.

Proposal for Idaho Rural Development

Our request is for more manpower and support money. In Idaho this would be a full-time Extension/Research person at the PhD level plus three Extension persons at MS level to work in area positions supporting county faculty and conducting analysis as needed.

Extension/Research Specialist	*$ 50,000*
Area Rural Development	
Agents $34,000 x 3 positions	*102,000*
Support for the 4 positions	*30,000*
	$182,000

This would permit us to do well what we are presently attempting to do.

Sincerely,

Neil Meyer

Neil Meyer

NM:wn

C:\word\meyer\corresp\oct89

TESTIMONY

BY

RON MILLICK

ACTING ECONOMIC DEVELOPMENT OFFICER

IDAHO STATE UNIVERSITY

Honorable Chairman Glenn English, Congressman Richard Stallings, and Subcommittee members: I wish to welcome you to Idaho and express my appreciation for your bringing this hearing to Blackfoot.

My name is Ron Millick. I am the Acting Economic Development Officer at Idaho State University (ISU) in Pocatello, Idaho. ISU is a regional institution with a primary service area of 24 counties covering 40,000 square miles in southern and eastern Idaho. According to the General Accounting Office definition and US Census data, all but four of those counties are classified as rural (Source: GAO Rural Development Report, January, 1989). The size of the service area alone presents some very interesting problems in the delivery of economic development programs.

ISU is currently home to the Center for Rural Economic Development. The Center is sponsored by a three year, $300,000 grant from the Northwest Area Foundation. The program was funded to study rural development issues in three distinctly separate rural communities within the ISU service area. The communities involved are Buhl in south central Idaho with an economy based on agriculture and food processing; Lava Hot Springs in southeast Idaho with an economy based on tourism; and three small communities in eastern Idaho that make up the Teton Valley: Driggs, Victor and Tetonia, whose economies are based on agriculture, tourism and natural resources. Each of these communities was at distinctly different (diverse) level of organization when it joined the program as a demonstration site.

The philosophy behind the Center's program is that before economic development can take place in rural Idaho, the community leaders must have the tools in hand to identify strengths and weaknesses, set a direction supported by the majority of the community, and seek the resources necessary to achieve their goals and obligations. Therefore, ISU has assumed the role of facilitator in the community development process and has focused on the leadership of the community throughout the first year of the program which ended June 30th of this year. The second and third years will focus on developing specific economic development agenda and implementation of their plans.

Although each community has unique situations with which they deal, I would like to focus on some of the areas of common interest and concern that have surfaced in the first year of the project.

1. Limited pool of local leadership is untrained in dealing with community development situations.

2. Leadership has difficulty in identifying resources available through programs sponsored by state and federal government.

3. The volunteer pool is stretched too thin. An ongoing development effort requires a full or part-time individual to be the coordinator.

4. Limited financial resources for personnel and capital improvement projects.

5. Lack of resources to effectively accumulate and analyze data pertaining to their community on which development decisions are made.

6. Community leaders want to set their own direction.

As an institution of higher education, we view ourselves as a resource with the expertise to deal with many of the above concerns. Specifically, leadership development programs have been very well received with sessions dealing with local attitudes and conflict resolution. Also, the ability to assist the community in developing instruments for the collection and analysis of data about their community has also been an important resource. We have also worked very closely with the regional planning agencies and, in the case of Buhl, the College of Southern Idaho to identify and tap existing resources to assist in the development process once a direction has been set.

As with practically any rural community, each of the demonstration sites have very limited financial resources. In addition, the university may not have the resources to continue this program after the grant funds expire in two years, although the process has begun to identify possible private and state funds for that purpose. The question comes down to the delivery of the resources to the rural communities in an effective manner. Many of the programs are in place, but in many cases they have not been identified by the community leadership or they are not offered in a convenient manner. An institution of higher education can play an important role in the development process of the communities that make up their constituency. But, it has to be a team effort led by the local leadership to be effective.

Ongoing support for programs such as Community Development Block Grants, EDA Planning Grants, Public Works Grants, SBA 503/504 CDC programs, Small Business Development Centers, and other financing and assistance programs aimed at rural communities is a must. New and effective means of delivery of services should also

continue to be explored. Private foundations, such as the Northwest Area Foundation, have been very supportive of innovative programs focused on rural development in partnership with higher education. Currently, besides our project at ISU, the Northwest Area Foundation has similar programs at Iowa State and Washington State Universities. However, many of these grassroots programs are either scaled back or eliminated due to lack of a funding source once the grant funds expire. In some cases, a three year demonstation project is not long enough to establish the foundation for state and institutional funding. Therefore, my recommendation to this committee is to provide for ongoing support for successful new programs in rural development by funding federal matching grant opportunities available to institutions of higher education for programs initiated with private foundation funds. This would create a private/government partnership in identifying innovative programs worthy of ongoing funding. The risk of the start-up of such programs would continue to be carried by the foundations, as it currently is, and they could be involved in the process in identifying projects deserving of federal support.

The answer to the rural economic development challenge is certainly not to throw money to the communities. Rather, an effective delivery system is vital; higher education can and should play a strong role as a partner in the process.

Thank you for the opportunity to testify before the Subcommittee.

TESTIMONY

PRESENTED BY

ROBERT R. RATH
EXECUTIVE DIRECTOR
NORTHWEST REGIONAL EDUCATIONAL LABORATORY
101 S. W. MAIN STREET, SUITE 500
PORTLAND, OREGON 97204

MR. CHAIRMAN, MEMBERS OF THE PANEL, AND PARTICIPANTS. I AM BOB RATH, DIRECTOR OF THE NORTHWEST REGIONAL EDUCATIONAL LABORATORY WITH HEADQUARTERS LOCATED IN PORTLAND, OREGON, AND SERVING THE NORTHWEST AND PACIFIC.

THANK YOU FOR THE OPPORTUNITY OF SHARING SOME THOUGHTS ABOUT EDUCATION AS A MAJOR COMPONENT OF RURAL DEVELOPMENT. EDUCATION PLAYS A CRITICAL ROLE.

I SUPPORT THE FACT THAT EDUCATION IS A PART OF THE CRITICAL MASS WITH THE FOLLOWING STATEMENTS.

- FIRST, ECONOMIC OPPORTUNITIES, EDUCATION, AND ENVIRONMENT ARE THE MOST FREQUENT RURAL DEVELOPMENT ISSUES IDENTIFIED IN THE WEST.

- SECOND, INFRASTRUCTURE, ECONOMIC OPPORTUNITIES, AND EDUCATION ARE IDENTIFIED AS TOP PRIORITIES FOR ADDITIONAL FUNDING.

THE LINK BETWEEN EDUCATION AND ECONOMIC SELF-SUFFICIENCY HAS BEEN LONG ESTABLISHED IN THIS NATION. HOW THIS LINK IS MANIFESTED IN RURAL AREAS POSES CHALLENGES FOR US. FROM AN INDIVIDUAL'S POINT OF VIEW, A QUALITY EDUCATION MEANS GREATER POTENTIAL ECONOMIC OPPORTUNITY. BUT FOR A RURAL YOUNG ADULT, THAT ECONOMIC OPPORTUNITY MAY NOT BE IN BLACKFOOT OR FORT HALL

OR SHELLY. IT'S MOST LIKELY IN BOISE OR PORTLAND OR SEATTLE. THUS, A RURAL COMMUNITY'S GREATEST EXPORT IS WELL TRAINED AND MOTIVATED YOUNG PEOPLE.

BUT LOOK AT IT FROM A CORPORATION'S POINT OF VIEW. CORPORATIONS ARE SEEKING LOCATIONS WHERE THE QUALITY OF LIFE IS HIGH, AND THE LABOR MARKET, RESOURCES, AND INFRASTRUCTURE ARE AVAILABLE TO SUPPORT A VENTURE. RURAL COMMUNITIES HAVE BOTH THE QUALITY OF LIFE AND THE HUMAN TALENT. THE MISSING KEY IS THE INFRASTRUCTURE--NOT JUST ROADS AND WATER AND WASTE DISPOSAL, BUT A COMPETITIVE EDUCATION SYSTEM. THE TWO MOST VALUED CRITERIA USED BY BUSINESS IN SITE SELECTION ARE THE QUALITY OF THE SCHOOLS AND THE HEALTH CARE SYSTEM. QUALITY SCHOOLS ARE VITAL TO ATTRACT AND RETAIN LOCAL EMPLOYMENT OPPORTUNITIES.

SO THE QUESTION IS NOT <u>WHAT</u> IS THE ROLE OF EDUCATION IN RURAL DEVELOPMENT, BUT RATHER <u>HOW</u> THE QUALITY OF EDUCATION CAN BE OPTIMIZED TO PROMOTE RURAL DEVELOPMENT.

RURAL COMMUNITIES ARE NOT A HOMOGENEOUS CLASS. RURAL COMMUNITIES INCLUDE EXAMPLES OF THE BEST AND THE WORST. FOR EXAMPLE, LOOK AT THESE DATA ABOUT CHRONIC DISTRESS IN SOME IDAHO COMMUNITIES.

CHRONIC DISTRESS IN SMALL, RURAL SCHOOLS AND COMMUNITIES

IDAHO

In Idaho, 10 of the state's 76 small, rural school districts rank in the bottom quartile on at least two of three poverty indicators. These 10 poor school districts enroll 4,848 students.

Number of Small, Rural Districts	76
Small, Rural Districts with Poor Student Outcomes	19
Small, Rural Districts with Poor Family Income	31
Small, Rural Districts with Poor Per Pupil Expenditure	8
Small, Rural Districts Poor on Two or More Indicators	10
(Children Enrolled in 10 Districts)	4,848

AT THE NORTHWEST REGIONAL EDUCATIONAL LABORATORY OUR RURAL EDUCATION PROGRAM HAS BEEN WORKING WITH VERY SMALL, RURAL, ECONOMICALLY DISTRESSED SCHOOLS TO STRENGTHEN THE BOND BETWEEN SCHOOL PERSONNEL AND THE COMMUNITY. WE HELP THE SCHOOL AND COMMUNITY FOCUS ON BOTH THE POSITIVE ATTRIBUTES OF THEIR SCHOOL AND AREAS NEEDING IMPROVEMENT. WHAT WE SEE BEING ACCOMPLISHED IS A COMBINATION OF PRIDE AND UNITY. WITH PRIDE AND UNITY, RURAL COMMUNITIES CAN ACHIEVE A COMMON VISION.

SCHOOLS CAN AND WANT TO PLAY A VITAL ROLE IN RURAL DEVELOPMENT. WHAT IS NEEDED ARE COOPERATIVE RELATIONSHIPS AMONG AGENCIES, NOT JUST AT THE FEDERAL AND STATE LEVEL, BUT ALSO AT THE LOCAL LEVEL. FOR EXAMPLE, HOW CAN EDUCATION, HEALTH, SOCIAL SERVICE AND ECONOMIC DEVELOPMENT AGENCIES WORK TOGETHER TO PROVIDE LEADERSHIP IN RURAL COMMUNITY DEVELOPMENT?

WE WANT TO ASSIST IN DEVELOPING THIS LOCAL LEADERSHIP CAPACITY. WHAT WE HAVE DONE THIS PAST YEAR IS WORK WITH SELECTED EDUCATIONAL INSTITUTIONS TO PROVIDE THEM THE CAPACITY TO ENGAGE SMALL RURAL SCHOOLS IN IMPROVEMENT ACTIVITIES. IN THIS STATE, THESE ORGANIZATIONS HAVE INCLUDED BOTH IDAHO STATE UNIVERSITY AND THE UNIVERSITY OF IDAHO. WORKING WITH THEM, WE ASSISTED 14 SMALL, RURAL IDAHO SCHOOLS ACCOMPLISH THEIR INITIAL GOALS FOR IMPROVING STUDENT PERFORMANCE, WHICH IS A STEP IN THE COMPLEX PROCESS OF LONG-TERM CAPACITY-BUILDING FOR RURAL SCHOOL-COMMUNITY DEVELOPMENT.

MOUNTAIN VIEW ELEMENTARY SCHOOL, BURLEY: IMPROVE READING SKILLS

WM. THOMAS MIDDLE SCHOOL, AMERICAN FALLS: STUDENT DISCIPLINE

BONNEVILLE ELEMENTARY SCHOOL, POCATELLO: STUDENT ATTITUDE

INDIAN HILLS SCHOOL, POCATELLO: IMPROVE LANGUAGE ARTS

SHO BAN TRIBAL SCHOOL, FORT HALL: ATTENDANCE

SNAKE RIVER MIDDLE SCHOOL, BLACKFOOT: IMPROVE WRITING SKILLS

FALLS VALLEY ELEMENTARY SCHOOL, IDAHO FALLS:
IMPROVE MATH SCORES

JEFFERSON JUNIOR HIGH SCHOOL, PRESTON: IMPROVE STUDENT BEHAVIOR

OAKWOOD ELEMENTARY SCHOOL, PRESTON: IMPROVE STUDENT BEHAVIOR

PRESTON SENIOR HIGH SCHOOL, PRESTON:
IMPROVE STUDENT PUNCTUALITY

MALAD ELEMENTARY SCHOOL, MALAD: IMPROVE READING SKILLS

PARIS ELEMENTARY SCHOOL, PARIS:
IMPROVE STUDENT ATTITUDES ABOUT THEMSELVES

GRACE ELEMENTARY SCHOOL, GRACE: IMPROVE READING SKILLS

INKOM ELEMENTARY SCHOOL, INKOM: IMPROVE BASIC STUDY SKILLS

WE ARE NOW LOOKING FOR RURAL ECONOMIC DEVELOPMENT AGENCIES TO PILOT JOINT SCHOOL/COMMUNITY IMPROVEMENT EFFORTS LIKE THOSE WE HAVE BEGUN IN CASTLEFORD, BLISS, MURTAUGH, AND BANCROFT, IDAHO.

THIS LOCAL EMPOWERMENT OF RURAL LEADERSHIP IS COUPLED WITH PROPOSED EFFORTS AT THE STATE LEVEL. AS A REGIONAL AGENCY, WE SEE OUR ROLE AS A NEUTRAL PARTY FOR CONVENING VARIOUS STATE ORGANIZATIONS AND AGENCIES TO PLAN COOPERATIVELY FOR RURAL DEVELOPMENT. OUR AGENCY ALSO CAN BE OF ASSISTANCE IN PROVIDING INFORMATION, AS WELL AS RESEARCH AND DEVELOPMENT RESOURCES, TO INFORM THESE STATE RURAL POLICY DECISIONS.

EDUCATION HAS THE NEED FOR DEVELOPMENT OF COMMUNICATION INFRASTRUCTURE--ALONG WITH ALL THE OTHERS CONCERNED WITH RURAL DEVELOPMENT. FOR EXAMPLE, A RECENT SURVEY FOR COMPUTER-BASED TELECOMMUNICATION SHOWED THE FOLLOWING USE/NEED DISCREPANCY IN IDAHO SCHOOL DISTRICTS:

	CURRENT USE	POTENTIAL USE
ADMINISTRATIVE USE OF COMPUTER COMMUNICATION	12%	MOST DISTRICTS
COMPUTER COMMUNICATIONS FOR STAFF DEVELOPMENT	11%	93%
STUDENT INSTRUCTION	12%	SCIENCE MATH SOCIAL STUDIES FOREIGN LANGUAGE
TELEVISION	75% TV 14% SATELLITE	NEEDED

WE PROPOSE A RURAL DEVELOPMENT INITIATIVE WHICH WOULD REQUIRE INTERAGENCY COOPERATIVE EFFORTS AT THE STATE AND LOCAL LEVELS TO DEVELOP RURAL COMMUNITIES, NOT THROUGH CAPITOL INFUSION PER SE, BUT RATHER THROUGH LOCAL CAPACITY BUILDING AND LEADERSHIP DEVELOPMENT IN THE SOCIAL INSTITUTIONS OF THE RURAL COMMUNITIES--THE SCHOOLS, THE MUNICIPAL GOVERNMENT, SERVICE AGENCIES, THE PRIVATE SECTOR, AND RESIDENTS. AT ONE TIME THE RURAL AGRICULTURAL COMMUNITY WAS THE WELL SPRING OF PRIDE AND INNOVATION. WE NEED TO BRING THAT ATTITUDE AND RESOLVE BACK INTO THE HEARTS AND MINDS OF PEOPLE WHO LIVE IN RURAL AREAS. WITHOUT DEVELOPING THIS LOCAL CAPACITY AND LEADERSHIP, NO AMOUNT OF EXTERNAL RESOURCES WILL SOLVE THE PROBLEMS OF RURAL COMMUNITIES.

Testimony by
Dr. Donna Bellorado,
Director, Resource Development and Communication
Far West Laboratory
for Educational Research and Development,
before the
Conservation, Credit, and Rural Development Subcommittee
of the Committee on Agriculture
of the U.S. House of Representatives

August 22, 1989
Blackfoot, Idaho

Good morning. My name is Donna Bellorado, and I am director of Resource Development and Communication for Far West Laboratory, based in San Francisco. My written testimony will be longer than what I speak. I would like to submit my written testimony for the record.

There are nine federal, regional laboratories serving the nation. The laboratories are federally funded institutions created by Congress to research, develop, test and disseminate innovative ideas in education. We can pilot a programmatic idea before large, public expenditures are made on an untested program.

Currently, the laboratories receive the only federal funds specifically earmarked for rural schools. These monies total approximately $5 million a year and span a three-year funding period.

Far West Laboratory serves four states — California, Nevada, Utah, and Arizona. Our region contains some of the nation's most populous and sprawling urban areas. But we also have remote — and magnificent — expanses of mountains, deserts and prairies.

These sparsely populated regions are home to some of the smallest, most isolated school districts in the country — some with only one school. Often, these smallest schools have proud histories of fine and innovative education. They preserve a vital part of our Western culture and history. But faced with shrinking state and federal funding and a narrowing tax base, a number of these schools now feel that their very existence is threatened.

Far West Laboratory is actively working with these rural schools to help them find ways to expand and efficiently use their resources. Like you, we realize that the country's rural economies are in trouble. Like you, we recognize the pivotal role of education in turning that economic crisis around.

Rural economic experts will tell you that communities have little chance of growth if the schools are either not graduating individuals who, for the lack of skills, cannot contribute to the economy of the community, or who must move elsewhere to make a decent living.

We believe — not only from studying the issue nationally, but from our own rather dramatic experience in our region — that a key to maintaining and improving the quality of rural schools is educational technology.

Let me describe to you now one project that illustrates how you already are using Far West Laboratory to test educational technology in rural schools.

There are many new technologies being used in education. Some, such as computers and laser disks, can drill students in essential skills and help teach them to think critically. Another group of technologies can help schools communicate with each other. This group has given rise to the term "distance learning" — that is, bringing geographically separated students and teachers together for live, two-way instruction.

Distance learning may mean two-way TV, where the teacher in one location and students in another can both see and hear each other. Or it may mean one-way TV with audio return, which resembles traditional educational TV except that students can talk back by telephone or radio. The third type of distance learning is audiographics — the combined use of voice transmission, computer networking, and telefax transfer of materials.

A type of distance learning is audiographics — the combined use of voice transmission, computer networking, and telefax transfer of materials.

Audiographics is, at the moment, the most feasible option for rural schools because it is the least costly and the simplest to operate. Districts do not need to import instructional programs, but can use their own teachers and curriculum to teach students at more than one school. The district also maintains control over scheduling.

I want to take you now a bit south of here to Utah — specifically, to the vast and remote Great Basin region in the northwestern part of that state. Here Tintic School District had a problem at remote West Desert High School.

West Desert High is in Trout Creek, a cattle ranching community not far from the Nevada border that only three years ago got its very first telephone. The school has just 20 students in grades 9-12, and one lone teacher. Some subjects simply could not be offered, meaning that some students could not complete the state's high school curriculum.

In a different place, the solution might be busing students to another school. But from West Desert, the drive to the district's other high school in Eureka is four hours each way. And for much of the year, road conditions require the use of four-wheel-drive vehicles.

Fred Openshaw, sitting in Eureka, suspected that distance learning might help solve his problem. But he needed assistance. So he called Far West Laboratory and said, "Help me get my curriculum from here to there." What happened after that is a story that illustrates how the laboratories can

direct federal money in ways that extend your investment in us many times over.

First we called the Utah State Office of Education. We described the problem and told them we had some training money. Together, we designed and planned a program and selected the audiographics technology.

Along the way, three other Great Basin school districts joined us, making our project area three times the size of Massachusetts. Together, we secured $36,000 in Utah state education money, and pooled it with district funds and Far West Laboratory funds. In 1987, assisted by specialists from Utah's State Office of Education and Far West Laboratory, we went to work.

Like Tintic, these other three districts did not have enough resources to provide a full high school program. In Box Elder District, two communities sent away students from grades 11 and 12 to board in the city.

For Grouse Creek families, that means sending their children 110 miles away — not so far, as the crow flies. By car, however, that distance takes three-and-a-half-hours, including an hour on gravel roads.

Audiographics may now open the possibility that these students can stay and finish high school.

Twelve schools in the Great Basin region are targeted to get audiographics systems. Students at West Desert High School are now learning advanced math and English as well as technical drawing from teachers in their counterpart school in Eureka, some 90 rugged miles away. A French teacher at Millard High School in the town of Fillmore also instructs students at Delta High School 35 miles away.

Over telephone "talk boxes," students hear the teacher and are able to ask or answer questions. On 19 inch, high quality video monitors, they can watch the teacher draw diagrams or illustrations. Using their own

drawing pads and keyboards, they can send pictures back. The teacher can also show slides. By striking a few keys on the computer, he or she can even call up those slides in fast enough sequence to create motion.

For Sara, a student at Grouse Creek School, this means a chance to take biology just as she would at her age in a city school. Sara is the only 15-year-old among the 21 students at Grouse Creek's aging stone schoolhouse. She spends five hours a week getting individual biology lessons from teacher Ron Cefalo at distant Box Elder High. In full color, Sara can see how the jaw parts of a grasshopper move or watch a spider spinning its web in Disney-like animation. Her tests and handouts come and go on the Fax machine.

Is the Great Basin distance learning project a success? The earliest clear indicators were excited students and elated teachers. At the end of the project's first year, Far West Laboratory conducted some evaluations that included grade comparisons. We have found that students learning by audiographics do as well as or better than their counterparts in the traditional instructional situation.

Audiographics, we have concluded, is a godsend to remoteness. And this near-desperate kind of remoteness is typical in a vast segment of the West — in Idaho, Nevada, Montana, Wyoming, Arizona, Colorado, New Mexico. You find it too in parts of California, Washington and Oregon. With our continued technical assistance, the Great Basin region of Utah is becoming a model that all of these remote areas can use to help maintain and improve their rural schools.

We have an idea that we would like to propose to you. We suggest that you authorize $12 1/2 million for doing other innovative programs like this one.

Land grant colleges in each of the nine regional laboratories' regions could apply to the Department of Agriculture for these monies. The monies would be used to build a collaborative relationship between a laboratory and a local community that wishes to do an innovative pilot project. One-third of

the money would flow to the laboratory, one-half to the land grant college, and one-third to the local community. Five percent of the funds for each pilot would be set aside for independent evaluation and planning for expanded implementation.

The laboratory would choose the school — therefore the community — in which to work.

The School of Agriculture in land grant universities has community planners, sociologists and economists. The public schools have human resources, teachers and students, as well as financial resources which, if redirected, could be used to contribute to the health of rural communities while at the same time improving education for students. The Regional Labs have expertise gained from development work, and because they serve as third party neutrals, have the ability to provide linkages, make resources available, and orchestrate those resources in new ways.

If this Committee is interested, we would be pleased to provide a detailed legislative proposal as outlined above.

TESTIMONY BEFORE THE
HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT
BLACKFOOT, IDAHO
AUGUST 22, 1989

Congressmen, Congressman Stallings, staff, my name is Ronald R. Hall. I reside near Boise, Idaho and appear before you today as the State Director of the Idaho Small Business Development Center. An Idaho native, I was born and raised on a cattle ranch in a rural farming, livestock and lumber area in the central mountains of our great state. My working career has included over 10 years as a paid professional in the arena of business and economic development, primarily in rural areas, and over 8 years as a business owner and CEO in private enterprise in rural areas. My first hand experience in rural development has provided me with interesting, challenging, frustrating, but always rewarding experiences.

During the past 4 years as State Director of the Idaho Small Business Development Center (ISBDC) I have had the opportunity to again participate with my colleagues, with local, regional, state and federal professionals and with Idaho residents in efforts to expand, strengthen and improve the small business industry in our state. Utilizing SBA guidelines, over 96% of our 46,000 businesses are "small businesses", over 70% are located in rural, non-urban areas that by any standards would be considered "rural". With 5 offices strategically located across the state our small cadre of professional business consultants working through our universities and colleges and EDA Districts, provide services to over 700 small business owners and entrepreneurs per year and offer over 150 seminars on small business topics

attended by an additional 2300 entrepreneurs.

Our state's small business are continually challenged by the difficult environment in which they must do 'business'. The often harsh realities which confront our every day way of life in rural America are frequently compounded upon our small businesses. Tax bases have been stressed to the limit in the efforts to provide needed roads and bridges to accommodate our commerce, social, and recreational needs, our health care facilities and providers are in constant struggles for survival, our social service programs for our unemployed, low income, ill and destitute are often unable to meet minimum levels of expectation and our educational systems are annually challenged to financially support needed primary, secondary and higher education facilities, staff and faculty. More directly affecting small business are other equally devastating issues such as inadequate local infrastructure, improvements for water and sewer, fire protection, law enforcement and local government operation. The large financial losses in our agricultural markets have made startup, expansion and operational capital for our businesses very difficult to access and constantly unreliable. Recent attention to more rigorous environmental and safety considerations for wastes, chemical products, etc. are adding new costs to the ability to "do business in rural America".

While there are problems in rural Idaho, all is not gloom, nor is all lost. We are seeing some signs of improvement in our rural economy, our citizens are innovative, determined proud people who have high work and social ethics with a "can do" attitude. We are seeing invigorating, productive results from public-private partnerships that are yielding positiveresults for

our citizens, our communities and the partnership players. The times of 'single solution' players or programs have finally passed, we are now in an age of 'partnerships', 'consortiums', leveraging and open-door public planning and management that offer opportunity for all participants and beneficiaries to be "winners".

We urge your Committee in its deliberations to recognize the progress currently being made by rural development advocates and organizations and to insure that needed new resources and legislation are structured to encourage continuation of the partnerships. It is clear that our limited human and monetary assets can best be leveraged by utilizing existing resources and delivery vehicles. We have in Idaho for example, a productive cadre of agricultural extension and home economists who are serving to the best of their ability and resources the agricultural industry, we have a statewide network of EDA districts who are working daily with local and state officials to assist in planning and technical assistance in the economic development fronts, from the ground level up. Considerable success can be identified from local and regional organizations efforts to assist with small business financing programs such as the Certified Development Companies, regional revolving loan programs and guaranteed loans from SBA, EDA, and Farmers Home. Private Industry Councils are yet another example of the partnerships that have formed and established productive delivery systems to work towards improving employment and worker productivity in our rural areas. Our State Departments of Agriculture and Commerce have launch innovative and productive programs, with to limited dollars, to help communities and regions work together for a better economy and way of life. Our universities and colleges have made major strides to increase and

focus their resources in applied research and service to assist in business and economic development in rural areas. Numerous additional examples can be cited of yet other public and private organizations and units of local and state government working together on rural development. My experience is that all have dedicated, for the most part qualified, and certainly proud, professional staff and volunteers, what they lack most, and so urgently need, is additional funding specifically targeted to rural development, absence of complicated and non-productive guidelines, rules and regulations, or federal program managers and administrators who do not understand their charge and/or rural America. Lastly, but perhaps of foremost importance, existing rural development efforts could be greatly enhanced if any new legislation would include requirements tieing together the availability of new financial assistance with the utilization of existing resources.

We look forward to having additional future comments on the proposed Rural Partnerships Act of 1989 (Senate Bill 1036) during the coming weeks. However, I would like to urge you now to review closely two titles of the proposed legislation. Title III and Titles IV of the Bill would establish new programs almost duplicative of the existing Small Business Development Centers and EDA District programs. If implemented in the current language, these new programs would clearly erode our existing funding base and establish yet another operation to service the same constituency without there being any value added. Again, all is not negative, I am attaching to my testimony proposed additions to the existing Bill which would help to alleviate duplication problems. In addition, we look forward to an expansion of the positive working relationship we now have with the Extension

Service in our state and would encourage the U. S. Department of Agriculture to utilize existing local delivery systems in the successful manner being demonstrated by the National Institute of Standards and Technology, and the Departments of Labor and Commerce.

In closing, the Idaho Small Business Development Center, through the strong support of higher education institutions, state and local government and regional planning and development agencies has established a productive and efficient delivery system to assist small businesses in Idaho. Through partnerships that work, we have been supportive of other organizations and offices who have responsibilities for business, economic and social development. As the urgently needed new rural development legislation is developed we will also come forward to put our shoulder to the wheel as it can best help.

Thank you.

Ronald R. Hall
State Director
Idaho Small Business Development Center
Boise State University

Attachment
Proposed additions to S 1036,

Proposed additions to S 10

"Title III, Sec. 301, (g) Rural Economic and Business Development."

"(6) Coordination. -- The Secretary shall ensure that the activities of the Extension Service rural economic and business development program established under section 502(g) of the Rural Development Act of 1972 (7 U.S.C. 2662(g)) are coordinated with the Small Business Administration to ensure that there is no duplication of activities in any local area, county, or region.".

"Title IV, Sec. 401, 306(a)(11)(A)(i)(IV)"

"(III) There are authorized to be appropriated to make grants under this subparagraph, $7,500,000 in each fiscal year.".

TESTIMONY

BY

EDIE TRACY, CHAIRMAN

SOUTHEAST IDAHO PRIVATE INDUSTRY COUNCIL

Honorable Chairman Glenn English, Congressman Richard Stallings, Committee members and fellow citizens, my name is Edie Tracy. I am Chairman of the Southeast Idaho Private Industry Council, which administers employment and training funds available through the Job Training Partnership Act (JTPA) in Bannock, Bear Lake, Bingham, Caribou, Franklin, Oneida, and Power Counties. I am a resident of the City of Soda Springs in Caribou County.

The Private Industry Council is charged with the task of planning and implementing employment and training programs to meet the needs of present and future local economic conditions, to link with economic development efforts to create an environment that will attract new businesses and sustain or expand existing business, which will create employment opportunities for our youth and adults.

There <u>are</u> pockets of economic growth and development in the State of Idaho and the Northwest. These are largely centered around urban areas. There is also an overwhelming number of smaller rural communities that are not part of any economic or community development.

Many of these areas have been and still are heavily dependent on the so-called extractive industries, such as mining, logging and agriculture. These industries have always been cyclical and with increased competition in the growing global economy, are becoming more marginal. One of the consequences of this change has been the severe recession in timber and farming areas.

The growth of high-tech businesses and services has also impacted the economy of the Northwest. High-tech businesses, however, generally cluster around urban areas, which furnish a larger, more mobile workforce and closer access to research and development facilities, often associated with large, prestigious educational institutions.

This trend also negatively impacts the smaller, rural areas.

This trend also negatively impacts the smaller, rural areas. To meet the demands of high-tech business, we must train our workforce in high-tech occupations. However, even if we provide the training needed to survive in a high-tech environment, employment opportunities will force our young people to leave the farm or otherwise rural communities and move to urban areas for survival.

At a recent Vocational Education Conference, several speakers commented that businesses were able to change their focus in a number of months; educational institutions took numbers of years to change curricula. Education and training programs currently operate on a "respond" basis, that is, they respond to changes in the demand for labor by implementing new programs. This is no longer appropriate or effective. Our education and training institutions must begin to anticipate changes in the workplace caused by changes in the workforce and be prepared to implement new programs immediately.

The Department of Labor's projections for Workforce 2000 indicate 90% of the future labor force will be comprised of women and minorities. Education, employment and training opportunities have traditionally been fewer for these two groups than for the prevailing white male. Wages for these two groups have also been significantly lower. As women and minorities become a more significant segment of our labor force, these circumstances will have to change, along with other affiliated issues, such as the need for more and better child care; more flexible work schedules; creative benefit plans. Lifelong learning opportunities to sustain the workforce must also be implemented if businesses are to survive.

The Bureau of Labor Statistics estimates that by the year 2000, 21 million new jobs will be created, mostly in the service sector. The majority of these jobs will require higher levels than

ever of mathematics, language and reasoning ability. Most of the new workers will lack the basic skills essential for this employment.

By 2000, workers 25-54 years of age will make up 73% of the labor force. The share of young workers will account for only 16% of the labor force. Individuals born today can expect to work at jobs that don't even exist today; to have 10 or more "careers" and to hold 15 or more "jobs" during their lifetime.

The future of our rural areas is our youth. If rural areas are unable to provide an environment which can enable them to support themselves and their families, rural areas have no future.

It is essential for us to continue our efforts to revitalize businesses, to create an environment which encourages existing businesses to expand, to provide funding for economic development projects and for vocational training programs to keep on the cutting edge and provide both the employment opportunities and the workforce to meet the requirements of these opportunities.

We applaud the efforts of communities like Rockland, which attempt to link all possible resources and provide multiple opportunities for growth and development. These efforts must be encouraged and sustained if Idaho and other similarly affected states are to keep pace with the 21st Century.

The majority of funding for economic development and employment and training programs is targeted towards urban areas, where the problems are more severe in terms of numbers. However, the issues around the quality of life are similar in both rural and urban areas. If our youth and young adults are unable to find meaningful employment, they begin to "drop out" of the community and look for alternative coping mechanisms, most often alcohol and drugs. As younger children observe the situation, they too become disenchanted, abandon education at an even earlier age and become

prey for the forces of alienation, frustration, and self-destruction.

These are exceptional problems and, as such, require exceptional solutions. Solutions which we may not have even thought about yet. I realize the answers are neither quick nor easy, nor can they be answered here today.

It is my sincere hope, and the hope of the Southeast Idaho Private Industry Council, that as Congress tries to respond to the demands of the changing economy that individual Congressmen ask themselves questions about the level of commitment they have to help solve the problems of rural and agricultural communities, the dollar amount of resources that need to be committed to equitably serve both urban and rural communities and the inducements than can be offered to encourage businesses to be part of the solution.

The Private Industry Council supports the concept of rural economic development, be it through existing systems or through the establishment and encouragement of demonstration projects. We believe rural areas need to be made aware of existing resources, how to access them and how to link them with other resources to meet the comprehensive needs of the community. The cost of these initiatives would of course be dependent on the scope of the projects. The Private Industry Council has supported and will continue to support and cooperate with regional economic development efforts in terms of assisting with employment and training programs and opportunities to establish new businesses and retain existing businesses.

Thank you for allowing me this opportunity. I would be pleased to respond to any questions.

Testimony of

Clayton Schmitt

Member, Idaho Rural Water Association Board of Directors
City Administrator, Soda Springs, Idaho

Mr. Chairman, thank you for the honor and opportunity to testify before your Committee today. I represent the Idaho Rural Water Association, as a member of the Board of Directors, which has a potential membership of over 500 small Idaho water utilities and suppliers. We in turn are a member of the National Rural Water Association which is composed of thirty six state's Rural Water Associations with a membership of over 8,500 rural and small municipal water systems. This committee has a special opportunity supporting and strengthening rural communities throughout America. We are privelaged to be a part of this effort.

Our efforts today are to urge you to support the FmHA water and sewer program. For the past 25 years our government, with the aid of this Committee, has brought safe and affordable drinking water and wastewater treatment to rural areas through its Farm Home Administration rural water and sewer grant and loan program.

We believe that the rural water systems are the foundation of rural community development and we are here today to not only strengthen but to expand upon past FmHA efforts. Our Association recommends a simple and straight-forward approach. We urge the following:

1) Reauthorize and expand the FmHA rural water and sewer grant and loan programs to a level of $300 million for grants and $600 million for loans.

2) Authorize a rural waste water circuit rider program which would provide for at least one circuit rider in each state. Due to fund limitations, Idaho is one of many states that does not have a waste water circuit rider.

3) Authorize a rural groundwater/solid waste disposal circuit rider program which would provide at least one circuit rider in each state.

The rural water grant and loan program is indispensable to the quality of our rural environment. Other meaningful federal or private loan assistance is not available to build or improve rural water systems or supplies. With EPA ending its waste water construction grants program and replacing it with a revolving loan program the FmHA program will be the only remaining notable future source of funds for the building of small waste water treatment systems. We find that this is happening at a time when more and more of our rural areas are becoming out of compliance with the requirements of the Federal Safe Drinking Water Act. The number of contaminants under the SDWA will soon increase to eighty three. Nearly 65% of the water systems affected by these new requirements serve under five hundred families. Without the FmHA grant and loan program the rural communities will not have the necessary resources that will be needed in order to meet these increased federal requirements. Only 20% of the water systems will not have to add additional water treatment facilities.

Although the grant and loan programs provide an invaluable resource for the small system, there has been an ever increasing need for on-site technical assistance. We at the Idaho Rural Water Association find that the part time or inexperienced water operators are becoming more dependent on us to provide them with advice and assistance in order for them to keep their systems in compliance with federal regulations.

Our technical assistance circuit rider is part of the nation wide program administered by the National Rural Water Association. We provide a full-time person that is available to help small systems in solving problems with their day-to-day systems operation. We provide technical assistance in management and billing, operations, water treatment, water loss, EPA required testing and other such problems encountered in the operation of their systems. The Circuit Rider is available on request to work with any community system under 10,000 population. In many cases, regular contacts by the Circuit Rider has enabled him to spot potential problems within the system and to effect necessary corrections in time to avoid regulatory compliance problems.

The increasing number of requests from the small rural water systems for technical assistance is a good indication of our growing concern for the protection of our environment. As the use of pesticides and the locations of solid and toxic waste dumps increase we become more concerned over our failure to protect vulnerable open space areas. These concerns inevitably come back to the possible effect that these pollutants will have on the quality of the local water supply. Many of our small water and waste water systems find that they are being forced into the position of becoming actively involved in environmental issues in order to protect the irreplaceable ground and surface water supplies. There is an assortment of federal legislation and pending regulations on groundwater restrictions coupled with the increasing number of requirements under the Safe Drinking Water Act. The ever increasing complexity of operating a rural system will be the greatest challenge they will face in the next decade or so.

Recommendations:

The most effective and important program for maintaining or improving the quality of our rural water and waste water is the FmHA rural water and waste disposal grant and loan program. There will be little if any improvement in our rural systems or environment without adequate funding.

We urge the Committee to increase the authorization of the grant program from $340 million to $600 million. There are now over $800 million in loan requests that are unprocessed and over $300 million in grant requests. These figures would be even greater if FmHA district offices did not actively discourage funding applications. We recommend this increase because in too many instances the local system does not have the legal or financial ability to secure funding on the open financial market.

We further urge this Committee to establish circuit rider programs for waste water systems and for groundwater-waste disposal protection.

The National Association has initiated such a demonstration program in sixteen states. The demand for help from the small waste water systems has far exceeded their predictions. All small sewage systems are required to be in compliance with the Federal Clean Water Act and there is very little help or technical help that the small system operator can look to. Worse yet, the small systems are those that can less afford the ever increasing fines and regulatory requirements that pour out of EPA.

We also request that this Committee consider the establishment of a solid waste disposal-groundwater protection circuit rider program. Many small water systems are encountering issues of solid waste dump siting in aquifer recharge areas. Having a knowledgeable circuit rider in each state will help small systems protect their drinking water sources for now and for future times.

We make the following recommendations on source of funding for these programs. For the waste water and groundwater-solid waste circuit rider programs the total cost for covering the entire country will be about $4 million for each program or a total of $8 million. We believe that the technical assistance offered on-site by these programs will immensely improve compliance with federal environmental regulations which will result in a reduction in the cost of enforcement by EPA. With increased concerns for the environment we think that there could be sufficient support for these programs within existing budgets.

The funding increase recommended in FmHA grants or loans are more significant and will require budget shifting under a no growth budget. There is now a growing concern for environmental protection within our country and there is little if any chance of improving the environment in rural areas without a positive, adequately funded FmHA grant and loan program. If new funds are freed up in the federal budget this program should receive a top priority.

In closing we realize that there is a movement on by both the Rural Electric Cooperatives and the Federal Farm Credit Bank in helping provide funding for water systems in rural areas. In the Senate version of this legislation there is authorization for increased involvement by these organizations in rural water system assistance. Our state Association and the National Association welcome all the assistance we can get to improve rural water systems.

We must add that we strongly believe that the FmHA rural water grant and loan program is the most practical and effective method for gaining the greatest rural water system development for the funds invested. Rural Electric has been a partner with many rural water systems, however, the establishment of a new federally assisted water program with different rules and financial arrangements might not be warranted in these tight budget times. Rural Electric has a state imposed limitation in as much as they are assigned distinct service areas leaving most of Idaho outside of their service areas. We recommend that there be a careful review of any use of federal appropriations to fund programs to assist rural water and sewer systems by other than the FmHA rural water grant and loan program.

Thank you again for this opportunity to appear before this Committee. We are eager to assist you in any way that we can in your efforts to pass stronger and better rural development legislation in order to revitalize rural America.

POWER COUNTY

STATE OF IDAHO

LOIS S. BAUER
RALPH M. WHEELER
LYNN THOMPSON

POWER COUNTY COMMISSIONERS
543 BANNOCK AVE.

AMERICAN FALLS, IDAHO

August 29, 1989

Testimony of: Ralph M. Wheeler, Power County Commissioner, representing the Idaho Association of Counties

Presented to: House Agriculture Subcommittee on Conservation, Credit, and Rural Development, Blackfoot, Idaho on August 22, 1989

We appreciate the opportunity to present our views to your committee as you prepare to rewrite the legislation on Rural Development.

Our Association is generally very supportive of the operation as well as the application of the grant process here in Idaho. The system here is to channel the funds through the office of the Governor, but the decisions are governed by a six person committee representing the six regions of the State, supported by a small staff that aids the local government in preparing the applications and establishing a scoring system to rank the substantial number of competing grants. The committee could do worse than recommending a similar system in all states as it removes the possibility of using the grants for political purposes and the danger of large, better staffed, local governments from obtaining the bulk of the funds.

As you are aware, rural communities suffer declining populations and tax bases due to the lack of opportunities for employment. This results in an exodus of our young people in whom we have invested great effort and money to educate.

Other forces such as urban malls, aging businesses and owners, as well as the basic problem of limited sales due to a small consumer base, result in the reduction of basic services needed to sustain viable communities in rural areas.

Especially visable is the reduction of local auto and implement dealers, explainable, but perhaps not solveable, without the aid of grants. Why is this occurring? As long as these businesses remained in family ownership and had low debt service, they remained viable. But when the family, for whatever reason, decided to sell out, the successor just cannot earn an adequate profit margin to service the large interest costs associated with flooring adequate equipment (or autos) to attract the necessary customer base. Simple, but true.

As your committee considers the rewriting of the legislation, please keep in mind the following:

1. Inflation has reduced the buying power of fixed dollars. Consider please a higher authorization.
2. Many grants are extremely time sensitive. Keep the process simple and straight forward.
3. Demand assurance that a grant not jeopardize existing businesses or markets by giving an unfair advantage to the grant recipient.
4. Require that the benefits accrue to the community through the establishment or retention of jobs primarily by reducing debt service costs and prevent the enterprise from direct accrual of assets that profit only the grant recipient.

While not related to the legislation in question, but directly related to the previous general stability of rural enterprises, I suggest extreme caution as you consider separate issues that have potential, devastating, impact on small businesses.

Among those are parental leave, increases in FICA rates to expand medicare services, mandated health insurance, expanded COBRA benefits, and major increases in federal gasoline taxes.

Having had the pleasure of being in business in a community of 3,500, I can assure you even modest increases of mandates as above can very easily turn a "making a living" business into one which cannot turn a profit. It makes little sense to consider community development grants when other actions make community survival unlikely, if not impossible.

(Attachment follows:)

HIGHWAY COMMISSIONER
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Challenging department head position available with Marathon County, WI (pop. 111,270). This is highly responsible administrative work in directing and managing the operations of the Highway Department.

Qualifications: Bachelor's degree in public administration, business administration, civil engineering, or closely related field, and 6 years increasingly responsible professional public works/transportation experience, 4 years of which must be at a supervisory level in a public works setting; OR a master's degree in administration, engineering or closely related field, and 5 years increasing responsible professional public works administrative experience, 4 years of which must be at a supervisory level in public works. Master's degree desirable. Up to 2 years equivalent experience in private sector engineering/transportation, etc., may be substituted.

Application materials are available immediately at Marathon County Personnel Department, 500 Forest Street, Wausau, WI 54401 (715) 847-5451.

AIR QUALITY ENGINEER—The City of Omaha, NE is seeking an Engineer for its Air Quality Program. Duties involve field compliance inspections, plan reviews, and permit writing for air quality control, asbestos, and odor control programs. A degree in civil, environmental, chemical, electrical or mechanical engineering is required. Experience in compliance monitoring and knowledge of air quality programs is preferred. The position will be filled as a Civil Engineer I. Salary $28,970 plus excellent benefits. This is a civil service position. For application and information contact: Michael Mendenhall, OMAHA/DOUGLAS Civic Center, Rm. 506, 1819 Farnam St., Omaha, NE 68183. (402) 444-5300. Closing date is August 31, 1989. We are an equal opportunity employer.

DIRECTOR OF WATER & SEWER UTILITY

City of Stillwater, Oklahoma, a university community of 38,700 residents located near Tulsa and Oklahoma City, requests applications for a new position of Director of Water and Sewer Utility. Directs the operation of a new 12 mgd water plant, 7 mgd wastewater treatment plant, their distribution and collection systems, the federal pretreatment programs, coordinates with City Engineer on new development, and coordinates with the Electric Utility Director for coordinated utility services. The position requires management skills in policy setting, rate design, customer and industry relations, budgeting, and coordination with water plant operated by Oklahoma State University. Reports to City Manager. Prefer competency level in the water and wastewater field equivalent to a B.S. degree in Environmental Engineering, Civil Engineering, or a related field and a minimum of three years experience. Salary negotiable depending on experience. Full benefit package. For more information, submit resume to City Manager, P.O. Box 1449, Stillwater, OK 74076 by August 25, 1989 (Telefax 405-377-1829)

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[1]Regional ad.

★ See 1989 Municipal Index For more information

MUNICIPAL COST INDEXES

The **Municipal Cost Index** rose 0.6 percent to 119.1, marking its seventh consecutive increase. The **Consumer Price Index** also rose 0.6 percent, while the **Construction Cost Index** experienced the smallest gain, 0.4 percent to 119.5. The **Producer Price Index** registered the largest gain of all, 0.7 percent to 113.1. It also recorded the largest gain over August 1988.

MOST RECENT MARKETBASKET

	Current Index	Percent Change From: Most Recent Month	Last Year
Air Conditioners	117.9	0.4	4.6
Apparel	113.6	0.1	2.9
Asphalt Roofing	95.6	0.1	2.7
Ball Bearings	124.7	-0.8	12.7
Coal	94.8	0.6	-0.4
Communication Devices	104.2	-0.1	1.6
Concrete Products	110.8	0	0.8
Construction Machinery	116.2	0.2	4.6
Diesel Fuel	58.0	-7.8	6.4
Electric Components	119.5	0.3	1.8
Electric Power	112.6	1.2	4.6
Floor Coverings	116.7	0.6	2.4
Fuel Oil No. 2	56.8	-5.3	4.2
Foundry Products	114.3	0.3	5.0
Furniture	128.4	0.6	3.7
Gasoline	76.9	8.9	29.0
Generator Sets	129.0	0.3	6.6
Glass	111.0	0.9	1.2
Glass Containers	116.1	-0.2	3.6
Gypsum Products	110.6	1.7	-1.9
Hardware	119.8	0.5	6.0
Heating Equipment	124.7	-0.1	5.0
Industrial Chemicals	118.1	0.3	13.2
I.C. Engines	113.5	0.3	2.3
Iron	82.8	0	0
LP Gas	55.8	5.7	0.9
Lumber	127.3	-0.7	-4.9
Metal Fabrications	120.4	0.5	5.8
Mixed Fertilizers	108.1	-0.6	2.7
Motor Vehicle Parts	109.1	0.2	2.0
Natural Gas	84.4	3.4	9.0
Office Machines	108.7	9.1	2.6
Paint	132.4	1.5	17.2
Paper	131.0	-0.2	7.3
Passenger Cars	114.7	1.3	2.6
Petroleum	59.8	2.0	16.1
Plastics	140.0	-0.9	7.6
Plumbing Fixtures	137.8	0.8	7.3
Plywood	113.3	1.8	13.0
Portland Cement	102.7	0.1	-1.1
Pumps	114.6	0.4	6.2
Residual Fuel	49.4	4.4	16.0
Rubber	108.8	-0.3	2.6
Sand, Gravel	123.3	0.6	2.0
Sanitary Papers	125.4	2.4	9.8
Soaps, Detergents	120.2	0	6.1
Sporting Goods	109.6	0.5	3.7
Steel Mill Products	114.9	-0.3	3.8
Switchgear	118.9	0.5	5.2
Synthetic Fibers	104.7	0.7	7.9
Tires, Tubes	98.0	0.9	4.8
Tools, Dies	113.4	0.4	2.9
Transformers	116.1	0.7	7.7
Transmissions	120.4	0.2	4.4
Trucks	117.0	-0.3	5.4
Valves	121.0	1.2	7.5
Wire, Cable	148.0	0.5	21.1
Wiring Devices	129.7	0.5	5.4

Communication equipment dropped 0.1 percent, while office machines and equipment increased by the same amount. Electronic components rose 0.6 percent.

—Compiled by Tim Darnell

At-A-Glance Changes

MUNICIPAL COST INDEX

Last Year 114.3 — Previous Month 118.4 — Current 119.1

Percent Change By: Month 0.6 Year 4.2

CONSTRUCTION COST INDEX

Last Year 117.2 — Previous Month 119.0 — Current 119.5

Percent Change By: Month 0.4 Year 2.0

CONSUMER PRICE INDEX (BLS)

Last Year 117.5 — Previous Month 123.1 — Current 123.8

Percent Change By: Month 0.6 Year 5.4

PRODUCER PRICE INDEX (BLS)

Last Year 106.5 — Previous Month 112.3 — Current 113.1

Percent Change By: Month 0.7 Year 6.2

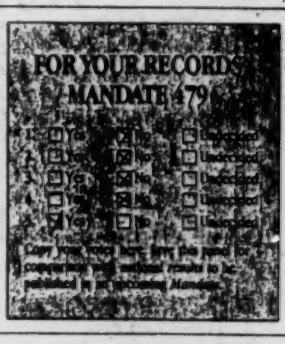
These figures are calculated on a base year of 1982.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	708.0	1.4	7.7
Federal Grants	111.5	1.3	7.7
Durable Purchases	30.0	0	7.9
Consumables	48.1	0.2	7.8
Services	444.6	0	27.9
Structures	66.4	0	8.1
Salaries, Wages	347.8	0	6.8
Surplus	56.2	0	-35.8
Employment	14.570M	0.2	2.0

MANDATE 478 RESULTS

1. Should lump-sum settlements in workers' comp cases be allowed only when the lump sum would significantly aid rehabilitation?
   Yes 39% No 38% Undecided 23%
2. Should the payroll-tax wage cap be repealed to pay for long-term health care for the elderly?
   Yes 16% No 80% Undecided 4%
3. Should a tax credit be provided to business owners who offer on-site or near-site child care for their employees?
   Yes 37% No 55% Undecided 8%
4. If Congress mandates health insurance, should participants be taxed on the value of the premium?
   Yes 15% No 81% Undecided 4%
5. Should a tax deduction be offered to investors in small businesses?
   Yes 42% No 52% Undecided 6%



MANDATE 479 RESULTS*

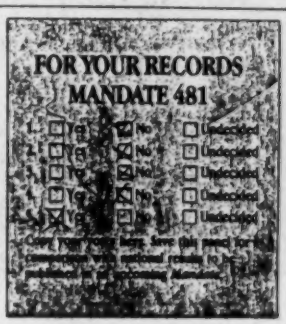
1. Should employers be required to provide unpaid parental and disability leave?
   Yes 9% No 84% Undecided 7%
2. Should a tax deduction be given to employers who offer parental leave as an employee benefit?
   Yes 35% No 57% Undecided 8%
3. Should employers with health-insurance plans be required to cover former employees who have pre-existing conditions?
   Yes 10% No 83% Undecided 7%
4. Should federal gasoline tax be increased 15 to 20 cents per gallon to reduce the deficit?
   Yes 23% No 71% Undecided 6%
5. Should a freeze be imposed on the federal budget?
   Yes 72% No 18% Undecided 10%

*Preliminary results.

MANDATE 480 RESULTS*

1. Should the government require changes in business practices to meet air-quality goals?
   Yes 50% No 30% Undecided 20%
2. Should limits be placed on campaign spending of congressional candidates?
   Yes 83% No 11% Undecided 6%
3. Should capital gains be taxed at death?
   Yes 5% No 92% Undecided 3%
4. Should continuation of health insurance through COBRA be repealed?
   Yes 53% No 33% Undecided 14%
5. Should vested employees be allowed to transfer pension benefits from job to job?
   Yes 40% No 46% Undecided 14%

*Preliminary results.



TESTIMONY BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

BLACKFOOT, IDAHO AUGUST 22, 1989

Congressman English, Congressman Volkmer, Congressman Stallings, and staff, Good Morning. I am Joe Herring, the Executive Director of the Region IV Development Association, the South-Central Private Industry Council and the Region IV Development Corporation, all which serve the eight counties of South-Central Idaho fostering Economic and Human Resource Development. Our area covers 11,500 square miles, of which approximately 64% is controlled by the government. The estimated 1986 population of Region IV was 141,613 people. The Region's economy is predominately agriculturally based, constituting approximately 30% of Idaho's agricultural production.

My purpose in being here this morning is to address the three specific areas of your interest in relation to the problems and frustrations the people of Region IV share in attempting rural development efforts.

To be successful in economic development in the long run, careful and continuous strategic planning is required. Most rural communities do not have the resources necessary to provide their own professional staff. The Economic Development Administration (EDA) of the U.S. Department of Commerce provides assistance in strategic planning through recognizing and funding Economic Development Districts (EDD). The EDD provides professional staff that assist communities with strategic planning and implementation. I support the continuation of EDA's planning grant program. Additional planning resources are required to be successful in Rural America.

The U.S. Department of Agriculture, Farmers Home Administration is authorized to make grants for planning and technical assistance for rural development. This program has not been adequately funded, and as such, hindered the Farmers Home Administration in effective delivery of its other forms of rural development assistance. I support adequate appropriation for the Farmers Home Administration Section III Planning and Technical Assistance Program.

Rural America has fewer people and businesses sharing the cost of infrastructure than Urban America; as such, the cost per capita of providing infrastructure in rural communities can be quite high. There are federal loan and grant programs available that have provided considerable assistance. The grant programs generally require local matching funds. These programs should allow rural communities greater flexibility in meeting matching requirements. In specific, more allowance should be given to force account and in-kind contributions.

The current policy of the Economic Development Administration requires the local community to provide at least fifty percent (50%) of a project's cost. This severely limits a community's opportunities. Often to provide this level of matching funds, a community seeks other grant funds. This magnifies project cost and doubles the bureaucracy (and federal cost) for the project.

In determining the amount of matching funds required by a community, their ability to provide matching funds should be examined. The current debt burden and capacity of an individual community could be used as one measure in determining matching availability.

The economic impact of infrastructure projects in Rural America can be tremendous. The creation or retention of one job in a rural area is much more significant than in an urban area.

Access to capital for rural business development is difficult. Commercial lenders in rural communities generally do not support entrepreneurial development and/or business growth. This creates a gap in the development process. In an attempt to fill this gap, we operate two loan programs that provide assistance to business and incentives to commercial lenders.

The Small Business Administration Section 504 loan program is a useful tool we provide in Region IV. This program could be much more useful if the "cost per job" standard was raised from the current standard of $15,000 per job was established a decade ago. The National Association of Development Companies is recommending an increase to $35,000 per job. I support this recommendation and urge its adoption as soon as possible.

The other loan program we operate was financed by a grant from the Economic Development Administration. The Revolving Loan Fund is very helpful in our area. There are three problems associated with this program: 1) On projects that include construction, the Davis-Bacon Act requirements must be met. This is often a "deal killer". It is not realistic to expect a small business person to adhere to these requirements, especially with smaller projects; once Revolving Loan Funds are loaned and repaid, the Davis-Bacon Act requirements should be eliminated for future borrowers. 2) Our lending authority for working capital is limited to 30% of our portfolio. Working capital credit is the most difficult for small businesses to obtain, especially in rural areas. This limit on financing working capital should be raised to at least 50% of a total loan portfolio. And 3) Again, as in the SBA 504 program, the "cost per job" is not realistic. The standard established by the Economic Development Administration is $10,000 per job. An increase to $35,000 per job would be much more realistic.

The Region IV Development Association works for the individual local communities and regional economic well being. Through our Boards of Directors, individual community problems are aired and solutions sought. We have developed strong public and private partnerships that are capable of responding to the needs of our rural area. Across the Nation, there are entities like the Region IV Development Association, six of us in Idaho, that serve Rural America in this capacity. I would advise more federal use of this important, experienced public/private partnership resource.

As I close, I thank you for your concern to keep Rural America. Without all of our help, it will be lost.

Southeast Idaho Council of Governments, Inc.

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BANNOCK COUNTY
Downey
Inkom
Lava Hot Springs
McCammon
Pocatello

BEAR LAKE COUNTY
Bloomington
Georgetown
Montpelier
Paris
St. Charles

BINGHAM COUNTY
Aberdeen
Atomic City
Basalt
Firth
Shelley

CARIBOU COUNTY
Bancroft
Grace
Soda Springs

FRANKLIN COUNTY
Clifton
Dayton
Franklin
Oxford
Preston
Weston

ONEIDA COUNTY
Malad

POWER COUNTY
American Falls
Rockland

Idaho Association of Soil Conservation Districts, Div. V

Greater Blackfoot Area Chamber of Commerce

Greater Pocatello Chamber of Commerce

Idaho Migrant Council

Idaho State University

JACL

NAACP

Pioneer Country Travel Council

Pocatello Central Labor Union

The Shoshone-Bannock Tribes

TESTIMONY

BY

RONALD LAW, PRESIDENT

SOUTHEAST IDAHO COUNCIL OF GOVERNMENTS

BEFORE

THE HOUSE AGRICULTURAL

SUBCOMMITTEE ON CONSERVATION,

CREDIT AND RURAL DEVELOPMENT

BLACKFOOT, IDAHO

AUGUST 22, 1989

RONALD LAW, President
ALAN LESSLER, Executive Director

INTRODUCTION:

On behalf of seven counties and 30 cities in southeastern Idaho, I wish to extend a warm welcome to the Honorable Glenn English, Congressmen from Oklahoma, Chairman of the House Agricultural Subcommittee on Conservation, Credit and Rural Development, fellow committee members and Congressman Richard Stallings of The Idaho Second Congressional District. I wish to extend the appreciation of the many rural residents from our part of the state for your taking the time to bring the vital Congressional hearing process from Washington D.C. to Idaho.

My name is Ronald Law. I am one of three Bear Lake County Commissioners. I also presently serve as the President of the Southeast Idaho Council of Governments.

The Southeast Idaho Council of Governments, Inc. (SICOG), organized in 1973 as a voluntary association of locally elected officials, is a private, non-profit corporation. Its primary purpose is to strengthen decision-making at the local government level in Region V, which consists of the Counties of Bannock, Bear Lake, Bingham, Caribou, Franklin, Oneida, and Power.

At the present time, there are three major program areas: economic development; employment and training; and services to the elderly. Region V has been designated as an "Economic Development District" by the Economic Development Administration of the U. S. Department of Commerce. SICOG also staffs the Southeast Idaho Private Industry Council and the Area V Agency on Aging.

As one of the six areawide community planning and service delivery organizations in Idaho, SICOG prepares and implements area-wide, economic development plans, operates a $2 million Regional Revolving Loan fund for business expansions, prepares a job training and employment plan, and a plan for elderly services. SICOG assists counties and cities in obtaining state and federal grants and serves as a technical consultant for community planning activities.

My testimony today is in three parts:

1. Statement of the Problem - The Rural-Urban Gap
   (Pages 1 through 6)

2. A description of our region's economy
   (Pages 7 through 12)

3. Legislative Recommendations
   (Pages 13 through 15)

THE RURAL-URBAN GAP: A POLICY PROBLEM FOR THE 1990s

Paul Sommers [1]

INTRODUCTION

While Seattle, Portland, and Boise continue to lead their states in job generation and personal income growth, Ritzville, Madras, Rockland, and hundreds of other small communities lag behind the urban areas and the nation as a whole. The urban areas started the 1980s in a position of affluence and low unemployment relative to the rural areas and small towns. The major urban areas of Seattle, Portland, and Boise stand out as centers of affluence in each state. The reality of lower per capita income exists throughout most of non-metropolitan Oregon and Washington, and virtually all of Idaho.

Furthermore, the differential growth rates of metropolitan and non-metropolitan areas have widened the gap between them over the course of the decade (Figure 1). The income disparities between rural and urban areas are drawing population out of the rural areas, making the development task that much more difficult for those left behind.

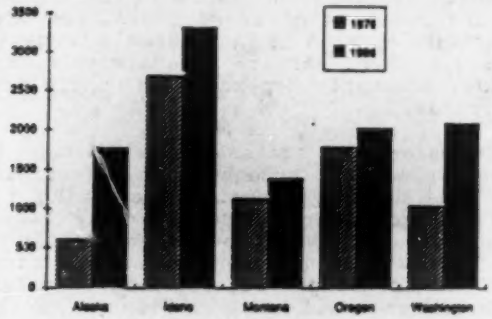

FIGURE . Metropolitan/Non-Metropolitan Per Capita Income Gap (In Constant 1982 Dollars)

Source: U.S. Department of Commerce, deflated using Consumer Price Index.

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[1] Paul Sommers, A Northwest Reader: Options For Rural Communities (1989), Northwest Policy Center, University of Washington, Graduate School of Public Affairs. (Edited by Scott B. McDonald, Southeast Idaho Council of Governments.)

If non-urban Idahoans are to build a better economic future for themselves, new economic development strategies must be adopted. The population declines and widening personal income gaps demonstrate that business as usual is not getting the job done.

Despite the reinvigorated economic and community development efforts in Idaho, the problems of the rural areas and small towns are so severe for reasons discussed below, that SICOG is convinced that new policy options must be created. However, a complete revolution in the way Idaho or urban areas go about development tasks is neither feasible nor desirable. Creative variations on the current array of state and federal programs, plus a good deal of determined effort by those most directly affected, could do a great deal to enhance the prospects of the non-urban regions. Higher education, telecommunications infrastructure, links to urban economies, and exploitation of demographic trends all hold some promise for revitalizing rural areas.

The task is not easy; in fact, rather daunting economic challenges must be faced by those who prefer to live outside the major urban areas.

THE ECONOMIC PLIGHT OF RURAL COMMUNITIES

Rural economies in the Northwest have traditionally been based on extractive industries such as mining, fishing, forestry, and agriculture. The products of these industries are standardized commodities which are offered in increasingly competitive worldwide commodity markets. These markets have always been cyclical with large up and down movements depending on supply fluctuations and macroeconomic trends.

In the last two decades the successful development of a number of Third World countries has brought new competition into these markets as well as demand reductions resulting from successful development of indigenous resources in many countries. Wheat farmers and aluminum plant workers have borne the brunt of these changes in the Northwest. The consequences of these trends have been severe and have prolonged recessionary conditions in many of the resource-dependent small communities and rural areas in the Pacific Northwest.

Another trend of the 1980s is for the rapidly growing sectors - high tech manufacturing and business services - to strongly prefer urban locations[1]. Fast moving, technology-based firms overwhelmingly favor urban locations which provide a mobile labor supply and ready exchange of ideas.

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[1] Edward J. Maleeki, "Regional Economic Development and State Science Policy," (paper prepared for National Science Foundation, Division of Policy Research and Analysis, September 1987).

The relatively high-paying business services require highly educated workers and networks of consultants and specialized service-providers. Urban locations with ready access to universities are favored for this rapidly-growing sector of the economy.[3]

The comparative advantage of rural areas lies in lower wage and land costs, natural resource industries (where the advantage remains constrained by foreign competition), and for some communities, tourism. Lower wage and land costs makes some small communities attractive for manufacturing plants, particularly assembly operations and "back office" service industry activities. However, many small communities find themselves competing with even lower wage foreign sites as locations for high tech assembly plants.

One type of manufacturing where smaller communities may have a natural advantage is value-added processing using inputs from the natural resource commodities produced in the area. Food processing has been developed in the agricultural regions, and a variety of manufactured products are coming out of the forestry-based towns.

Tourism is an area with considerable promise for those rural areas with unique natural resource endowments. The region's mountains, waterways, and beaches bring an increasing flow of vacationers. The growth of destination resorts such as Salishan in Oregon, Sun Valley and Coeur d'Alene in Idaho, and Semiahoo in Washington show the potential of well-developed resort/business meeting facilities to attract prosperous visitors into the region with demonstrable benefits to the regional economy. wind surfing activities in the Columbia Gorge area suggest another recreation-oriented destination area emerging in the region. Many more profitable destination facilities can be developed in rural areas and small towns with due respect for the environmental qualities that are the major selling points for the region as it tries to attract tourists and business travelers.

While the current business cycle has been unkind to rural areas, the tides may be changing. Congestion and rising costs of doing business in urban areas are leading some firms to consider smaller cities and rural areas as potential sites. Lamb-Weston is moving its food processing headquarters operation from Portland to the Tri-Cities. Seafirst is moving its credit card division from Seattle to Spokane. And Boeing has announced its intention to put a small plant into the Spokane area. These are highly visible examples of firms moving to smaller areas to escape the high costs

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[3] William Beyers, John Tofflemire, Harriet Stranahan, and Erik Johnsen, "The Service Economy: Understanding the Growth of Producer Services in Central Puget Sound Region," (Seattle: Central Puget Sound Economic Development District, 1986).

and deteriorating quality of life in the major urban area. This trend is becoming apparent all over the West according to the San Francisco Federal Reserve Bank.[4]

STRATEGIES FOR RENEWAL

Despite some emerging success stories based on tourism, restructured resource industries, and value-added processing, many Pacific Northwest communities have yet to find their new niche in the internationalized economy of the 1990s. New strategies are needed to assist these communities, as well as the emerging successes, in their quest for a more stable and affluent future. Demographic changes are often considered to be a major description of the problem of rural areas. The young move out in pursuit of better economic futures in urban areas, leaving behind an aging population with little interest or potential for building up an economy for the long haul. But the obverse of this portrayal of demographic change is to see an aging population as a source of capital - capital which a younger, entrepreneurial generation could tap to finance their hopes for new foreign or domestic markets for agricultural products, for new creative valued-added manufacturing ventures, and for cost-effective service firms providing back office support for urban-based manufacturing and service firms.

These emerging retirement centers require a new perspective on public infrastructure investments. If retirees are to be deliberately encouraged, the local public authorities should be thinking about expanding their medical care systems, especially hospitals and nursing homes. In addition senior citizen housing projects and social centers may be required. A variety of social (emphasis added) services aimed at the elderly may also need to be expanded. The public sector faces a significant challenge of accomplishing infrastructure and service system adjustments with net benefits to a community that hosts a larger number of retirees.

Higher education programs have an important role to play in revitalizing the rural Northwest. Four-year and graduate institutions are placed in urban areas for the most part, although there are some significant exceptions, and that it is very difficult to provide cost-effective programs in smaller communities. Telecommunication linkages, placement of selected programs on community college campuses, and correspondence offerings may help to make higher education services available in small towns. (Emphasis added.)

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[4] Stephen O. Dean, Scott D. Gilbert, Ronald H. Schmidt, and Carolyn Sherwood-Call, "The West: Slowing, but Still Strong," FRBSF Weekly Letter (Federal Reserve Bank of San Francisco, November 18, 1988).

There are three roles higher education can play in rural communities: (1) human resource development, and university's primary mission, (2) application of existing research to help rural people solve business problems, and (3) promotion of business enterprises that can utilized knowledge developed within academic institutions. These crucial roles may lead universities into such innovative activities as creation of data and policy centers to analyze and disseminate economic and policy information, sponsorship of business incubators, formation of cooperatives and joint ventures, operation of research parks and research foundations to do applied research and technology transfer, and provision of community education and job training services.

In addition to these expanded external roles. Treadway argues that universities need to change internally in response to a rapidly changing, internationalized economy.[5] He maintains that universities need to enhance their interdisciplinary technological offerings, their language and cultural programs, their ability to accommodate older, mid-career students, and their support for technology transfer and commercialization efforts.

One major constraint on the development of healthier economies in rural areas is a severe shortage of the telecommunications infrastructure we have come to take for granted in urban areas. (Emphasis added.) Business-to-business fax and modem transfers of information are commonplace these days in the urban areas. One frequently sees business cards with electronic mailbox addresses and voice mail numbers as well as the more conventional telephone number. We may not realize that these increasingly necessary conveniences are not available in many smaller communities around the region where non-digital switching and party lines are still common. To support the small towns' integration into the global village, the telecommunications infrastructure may need to be updated.

Lower cost labor is not the only business advantage of smaller communities. Land costs are usually lower. Electric power is often cheaper due to the public preference policy of the Bonneville Power Administration. The only real disadvantage of smaller communities is in the hard to pin down but crucial advantage of propinquity to other businesses.

Transportation cost is often not the real problem. Rather, it is the proximity to and frequent contact with other entrepreneurs. Successful business is a constant process of innovation and improvisation in marketing and production. Innovation and improvisation are enhanced by the opportunity to network with one's

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[5] Douglas M. Treadway, "Higher Education and Rural Development: The Next Frontier," Northwest Report (St. Paul: Northwest Area Foundation, October 1988): 8-15.

peers, customers, and suppliers. From these interactions over a meal or at a social event come ideas for ways to improve on products and services, and ideas for new markets to go after. Labor markets also tend to be more "liquid" in urban areas; it is easier to find the exactly right employee or company than it is in smaller areas where the choices are limited on both sides of the labor market. The rural and small town business person is at a real competitive disadvantage in this respect.

Public sector marketplace programs (buyer/seller matching services) may have a role to play here, offering a way to link up isolated businesses with potential customers and suppliers. Computerized nationwide bulletin board services such as Compuserve, the Source, and Genie[6] may be more important as information and networking resources to small town businesses than to those in urban areas. Labor arrangements which allow workers to perform information tasks and selected production operations from their homes, sometimes located in a different small town, may be needed to overcome the relative isolation of workers and firms in rural areas. (Emphasis added.)

With a disproportionate investment in maintaining social and business links to other areas, non-urban businesses may be able to combine their natural cost advantages with education, and demographic differentials to revitalized the non-urban economic regions within the northwest. The urban areas would benefit from the renewed vitality of the hinterland, which would provide lower cost services and goods, new markets for urban businesses, and lower requirements for transfer payments to compensate for continued poor performance. All residents of the Northwest, both urban and rural, have a stake in improving the economic performance of small town and rural areas.

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[6] Registered trademarks.

ECONOMIC CONDITIONS OF SOUTHEASTERN IDAHO

The remainder of this section of my testimony describes the major trends currently shaping the economic prospects of southeast Idaho. Its discussion of regional trends is excerpted from SICOG's Southeast Idaho Economic Development Profile. Interested readers are referred to the profiles for detailed data and analysis. All that is repeated here is the regional analysis of nine major trends including:

1. a declining number of jobs in most of the region's industries;
2. a lack of growth in the services sector, which is the focus of national economic growth;
3. declining farm income in southeast Idaho and in the market areas for locally produced fertilizers and farm equipment;
4. increasing leakage of retail trade to communities outside the region;
5. declining per capita incomes, which are already well below national levels;
6. limited local access to credit for business development;
7. slower population growth;
8. an increasing number of young people in the region's population; and
9. a declining tax base.

Other trends will affect the economy of southeast Idaho, but the ones listed above appear to be the most important. A solid understanding of these trends is a prerequisite to the effective planning and implementation of economic development strategies in southeast Idaho.

Loss of Jobs in Traditional Industries

The economy in southeast Idaho remains distressed. However, 1988 was a good year compared to 1987. During 1988, there was an increase of approximately 325 manufacturing jobs, 150 mining jobs, 200 service jobs and 220 government jobs. The area experienced a loss of about 100 jobs in finance, insurance, and real estate. There was a net gain of approximately 800 jobs in the past year. As Table 2 shows however, employment in most industries is lower than the levels achieved in 1981.

TABLE 2 - EMPLOYMENT CHANGE IN THE SECTORS OF THE SOUTHEAST IDAHO ECONOMY 1981 - 1988

	1981	1988*	% Change
Agriculture	5,679	5,042	-11.2
Manufacturing	8,547	7,474	-12.6
Mining	1,034	803	-22.3
Construction	1,505	1,251	-16.9
TCU	4,246	3,014	-29.0
Trade	10,321	10,501	2.7
Wholesale	2,702	2,725	0.9
Retail	7,619	7,776	2.1
F.I.R.E.	2,965	2,312	-22.0
Services	6,050	6,211	2.7
Government	10,013	10,856	8.4
ALL JOBS	50,360	47,464	-5.8

*1988 employment figures are monthly averages for the first nine months of the year. TCU stands for transportation, communications and utilities. F.I.R.E. represents finance, insurance, and real estate. Source: Department of Employment and SICOG's County Economic Development Profiles.

DECLINING PER CAPITA INCOMES

Southeast Idaho incomes have not kept pace with inflation or with increases in the national income level. Table 9 shows per capita nominal and real incomes. All southeast Idaho counties, except Oneida County, experienced losses relative to the national per capita income level.

TABLE 9 PER CAPITA INCOME IN SOUTHEAST IDAHO COUNTIES 1981/1986

	1981 PCI	1986 PCI	81-86 % CHANGE
U.S.			
current	10,949	14,639	33.7
constant	12,022	13,365	11.2
Idaho			
current	9,274	11,216	20.9
constant	10,183	10,240	0.6
% of U.S.	84.7	76.6	
Bannock			
current	9,034	10,960	21.3
constant	9,919	10,006	0.9
% of U.S.	82.5	74.9	
Bear Lake			
current	8,216	9,193	11.9
constant	9,021	8,393	-7.0
% of U.S.	75.0	62.8	
Bingham			
current	8,115	9,347	15.2
constant	8,910	8,534	-4.2
% of U.S.	74.1	63.8	
Caribou			
current	10,582	10,226	-3.4
constant	11,619	9,336	-19.6
% of U.S.	96.6	69.9	
Franklin			
current	6,453	8,093	25.4
constant	7,085	7,389	4.3
% of U.S.	58.9	55.3	
Oneida			
current	7,556	10,265	35.9
constant	8,296	9,372	13.0
% of U.S.	69.0	70.1	
Power			
current	11,872	13,557	14.2
constant	13,035	12,378	-5.0
% of U.S.	108.4	92.6	

Note: For the purpose of this Table, constant dollars are 1982-84=100 dollars. The adjustment is based on changes in the purchasing power of the dollar as measured by consumer prices.
Sources: Data compiled from SICOG's county Economic Development Profiles.

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LIMITED ACCESS TO CREDIT

New business enterprises and the expansion of existing firms both depend on the availability of credit. It is often argued that potential entrepreneurs in rural areas do not have the same access to sources of credit as their metropolitan counterparts and that the concentration of credit in large cities adversely affects the prosperity of rural communities. Table 10 provides some support for that contention as it applies to southeast Idaho. Per capita bank deposits in the region and in six of its counties are well below the national average, suggesting that insufficient capital may be available to support local economic development efforts. Bank deposits are not a complete measure of credit availability (although they are almost the only such measure for which useful data exist). Also, as the data for Bear Lake and Oneida Counties (which have independent local banks) suggest, the structure of the finance industry may affect the availability of credit. Still, the data presented here does constitute a sound argument for Federal or State action to provide credit for economic development in the counties of southeast Idaho.

TABLE 10 - PER CAPITA BANK DEPOSITS 1987

		% of U.S.
United States	$7,499	--
Southeast Idaho	$4,642	61.9%
Bannock County	$4,565	60.9%
Bear Lake County	$7,877	105.0%
Bingham County	$3,656	48.8%
Caribou County	$5,938	79.2%
Franklin County	$4,182	55.3%
Oneida County	$6,531	87.1%
Power County	$6,395	85.3%

Source: Federal Deposit Insurance Corporation

DECLINING TAX BASE

Private sector economic activity depends on the presence of an adequate public infrastructure. Without functional highways and without the capacity to deliver water, treat sewage, or dispose of solid waste, successful economic development is not possible. The ability to provide and maintain public facilities depends on the availability of funds and the ability of Idaho local governments to raise revenues is severely limited. Idaho has a legal framework that, according to a 1983 report of the Advisory Commission on Intergovernmental Relations, allows its cities and counties the least discretionary authority of those in any state. Reviewing the fiscal capabilities of each of the 30 cities and seven counties in southeast Idaho is beyond the scope of this document, but Table 15 does offer a rough indication of how the local sales and property tax bases in the region are declining. In all counties, real per capita taxable sales and real estimated market value for tax purposes have declined. In four of the seven counties, the market valuation in 1988 was lower than the market value found in 1980 prior to correcting for inflation.

TABLE 15 - TAX BASE INDICATORS FOR SOUTHEAST IDAHO

	1980	1987-88	% change
Bannock County			
sales per capita	$6,427	$5,134	-20.1%
taxable property value per capita	$23,160	$16,357	-29.4%
Bear Lake County			
sales per capita	$4,468	$3,912	-12.4%
taxable property value per capita	$33,527	$26,191	-21.9%
Bingham County			
sales per capita	$3,442	$2,908	-15.5%
taxable property value per capita	$24,717	$16,188	-34.5%
Caribou County			
sales per capita	$5,152	$4,175	-19.0%
taxable property value per capita	$51,475	$47,524	-7.7%
Franklin County			
sales per capita	$4,386	$3,588	-18.2%
taxable property value per capita	$27,598	$19,708	-28.6%
Oneida County			
sales per capita	$4,685	$3,536	-24.5%
taxable property value per capita	$40,252	$24,324	-39.6%
Power County			
sales per capita	$3,137	$2,874	-8.4%
taxable property value per capita	$74,311	$66,640	-10.3%

Note: All figures are in 1988 dollars, with 1980 adjusted by the change in the CPI. Source: Data compiled from SICOG's county Economic Development Profiles.

SUMMARY RECOMMENDATIONS:

1. Provide capital in the form of no-match grant funds for Revolving Loan Funds. Rural America can not afford even a local match of 25%, let alone 50/50.

2. Direct in the legislation the utilization of existing revolving loan fund administrative entities which have been capitalized by other Federal economic development programs (e.g. Economic Development Administration of U. S. Department of Commerce and HUD Community Development Block Grant).

3. Provide in the legislation that the lead federal agency for this Rural Economic Development initiative be the Rural Electrification Administration of the U.S.D.A. Of the 15 primary federal departments and agencies identified by GAO (January 1989 Rural Development: Federal Programs that Focus on Rural America and It's Economic Development) as providing assistance to rural countries, U.S.D.A. accounted for the highest percentage of program funds going directly to rural counties, about 50 percent.

Table 3.3: Rural Share of Funding, by Agency

Agency	Rural Share (Percent)
Agriculture	49.9
Appalachian Regional Commission	35.4[a]
Labor	26.1[a]
Commerce	25.9
Interior	25.3[a]
Transportation	21.1
Health and Human Services:[b]	
Social Security/other entitlement programs	17.2
Health and other programs	10.0
Small Business Administration	16.6
Justice	15.1
Education	14.9
Federal Emergency Management Agency	12.9
Environmental Protection Agency	11.0
Veterans Administration	10.0
Housing and Urban Development	4.0
Energy	1.6

[a] Percentage is based on incomplete information. Complete program data for this agency were not included in the CFFR data base.

[b] Department of Health and Human Services (HHS) programs are in two categories, because HHS' Social Security and other general entitlement programs differ appreciably from HHS' health programs in their rural shares.

(See Appendix A of my testimony for Executive Summary of the report written at the request of the Honorable E. Thomas Coleman, Ranking Minority Member Subcommittee on Conservation, Credit, and Rural Development, Committee on Agriculture, House of Representatives.)

4. Incorporate into the legislation a demonstration program to use regional councils to coordinate the delivery of rural development programs. A copy of the proposal provided by M. Rudy Groomes on June 29, 1989 to this committee on behalf of the National Association of Regional Councils is attached. SICOG is a member of that organization.

The need for a demonstration program as part of this legislative entity is based upon the following:

First, rural development must come from the grassroots. It must follow a program developed locally and approved by local elected officials. Local government involvement assures public accountability and provides the local leadership and delivery mechanism so essential for successful rural development programs.

Second, many small rural communities do not have knowledge of state and local development assistance available to them, or do not have the resources to apply for and administer development programs. The bewildering array of programs only adds to their confusion. Rural regional councils provide much-needed assistance in sorting out these programs and helping communities apply for grants and loans.

Third, the $300 million available for rural development initiatives is not enough to fund a long-term solution to the ills in rural America, and it certainly isn't enough to be used to create new entities and administrative structures to administer new rural development programs.

Therefore, what we are proposing, in brief, is the creation of demonstration rural regions as a low-cost means of evaluating a long-term development strategy. The demonstration regions would be given the flexibility to coordinate federal and state rural development programs to meet the needs of their region.

After a specified period, the demonstration regions would be required to report on their progress to the governor's office. In turn, the governor would report to federal officials on the state's overall economic development process. The reports would examine the effectiveness of the strategies adopted by the federal, state, regional and local officials. The funding departments and agencies would conduct an overall evaluation of the program and report to Congress.

Mr. Chairman, we believe that demonstration regions offer an opportunity to explore a rural development program that is within the bounds of criteria that have been presented before this subcommittee. Using regional councils would allow development to be planned and implemented locally. Regional councils are entities that are already in place, are familiar with federal and state rural development programs, and are familiar to their local governments. They bring the benefit of a cohesive loan planning and coordination process at an appropriate economic and geographic scale to more efficiently deliver public services. Regional approaches must be examined by any rural initiative proposed in this time of scarce federal, state and local resources. Southeast Idaho Council of Governments (SICOG) stands ready to serve as one of the demonstraton regions.

Mr. Chairman, that concludes my testimony, as President of Southeast Idaho Council of Governments. I will be glad to answer any questions you may have.

(Attachments follow:)

Legislative Proposal for Demonstration Regions
to Coordinate Rural Development

PURPOSE: To encourage federal, state, regional, and local government coordination of public and private resources for the purposes of small business development, workforce readiness, job creation, improved infrastructure, technology transfer, and enhanced delivery of rural public services.

PROGRAM: To select demonstration rural regions which will be afforded the flexibility to coordinate state and federal programs to enhance the development of their regions. To achieve this, regions and states must have a strategy for development and how federal-state-local programs can be more effectively used. In each region a regional organization involving local elected officials will serve as the designated regional agency for the demonstration.

PROCESS: The Secretaries of Agriculture, Commerce, Housing and Urban Development, and Health and Human Services and the Administrators of the Small Business Administration and Environmental Protection Agency will designate the state(s) that will participate in the demonstration project. In turn, the states will determine the substate regions and the strategic development program to coordinate federal and state rural development programs to the region. The Department of Agriculture would be the lead agency in administering the demonstration program.

The Secretaries and the Administrators will be given discretionary power to change programs within their jurisdiction in order to allow the demonstration states and regions maximum flexibility and coordination in delivering those programs. The necessary changes will be requested by the states and regional agencies. The resultant program elements that comprise the development strategy approved by these federal departments and agencies will be funded without regard to program limitations heretofore applicable.

The governors of the demonstration states will use state programs to match federal resources to the regions and localities. States will develop a framework and policy plan for the formulation of the substate regional development strategy and investment programs. The state policy framework would be developed by an intergovernmental policy and coordination unit designated by the governor and composed at least of representatives of the following interests: state executive agencies, local elected officials serving in their local and regional agency capacities, businesses and private citizens.

Just as states require flexibility in administering federal programs, state programs will also have to be flexible in order to readily adapt them to the needs of the regions and their localities. However, before using available federal resources, the demonstration regions must have a rural development strategy for achieving their goals. Regional organizations would then use the resources provided them in a fashion consistent with the regional development strategies.

If necessary, the federal programs would be matched by the demonstration states, either with money or in-kind assistance.

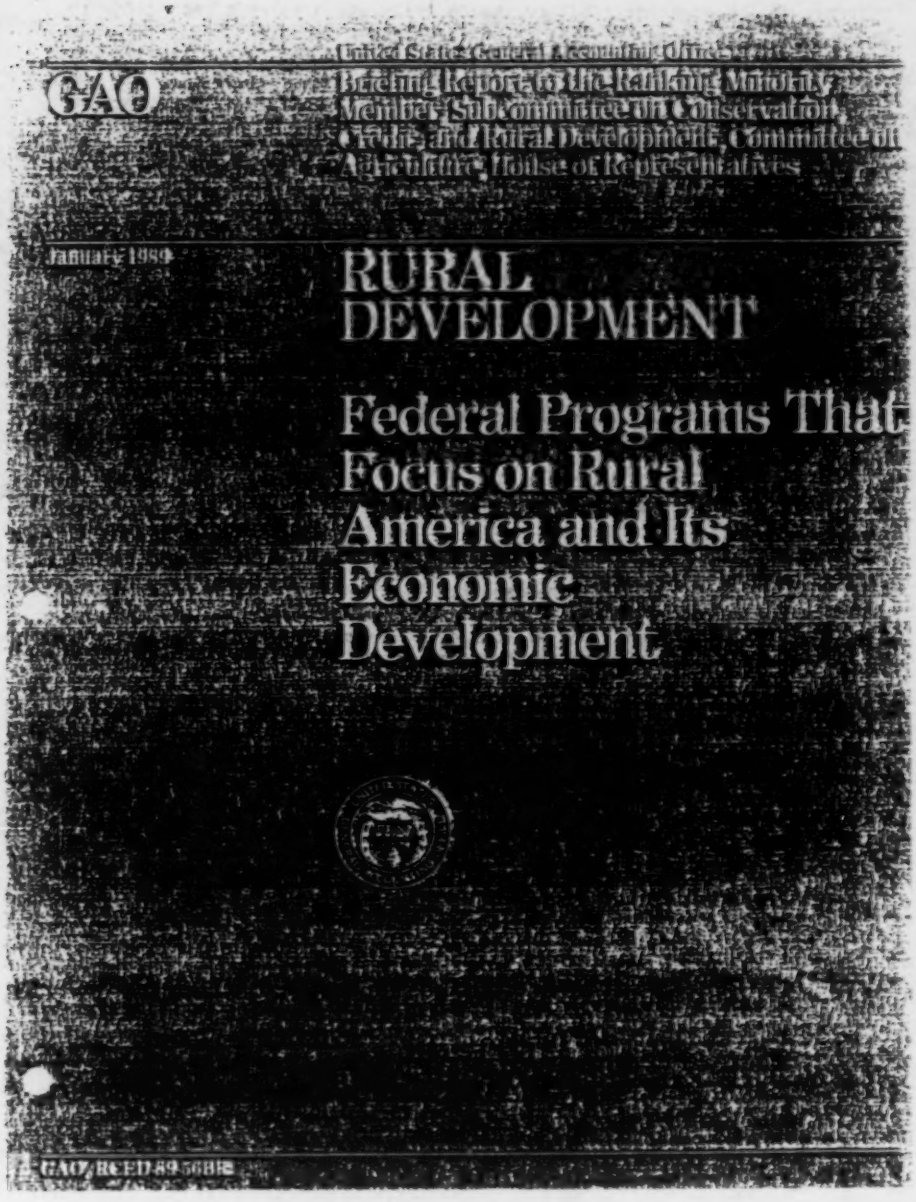
After a determined period, the regional entities charged with administering the development program at the regional and local level must report on their

progress to the governor's office, which will also prepare a report for the Secretaries and the Administrators on the state's overall economic development progress. The reports should discuss the effectiveness of the strategies adopted by the federal, state, regional and local officials. The demonstration project reports must also include some discussion of the commitment of officials at the various levels of government to carry out the programs and strategies resulting from the project. The funding agencies will conduct an overall evaluation of the program and report to Congress.

PROGRAMS AFFECTED: FmHA Business and Industrial Loan Guarantees, Community Facility Loans, Water and Waste Disposal Loans and Grants, Intermediary Relending Program; HUD Small Cities Community Development Block Grants; EDA Planning Grants, Public Works Grants, Economic Adjustment Assistance; SBA 503/504 CDC programs; EPA Water and Waste Water grants; Department of Labor JTPA programs; Department of Human Services Older American Act programs; and relevant state programs for rural economic development.

COST OF DEMONSTRATION PROJECTS: Each demonstration region should receive approximately $100,000 to cover the administrative costs of developing a strategic development program, coordinating the various programs and implementing the strategy. The costs of the federal and state programs to be coordinated in each demonstration state are the same as would result from the normal appropriation and allocation process.

ADVANTAGE: In a period of scare federal, state and local resources, it is incumbent on policy makers to employ all programs on a coordinated basis in the most efficient and effective manner. Rural economic development programs have historically been criticized because they lack coordination, flexibility and focus needed to be effective. The demonstration project would allow programs to be tailored to the needs of the demonstration regional communities, with no increases in existing program funds, and with maximum intergovernmental coordination.


GAO
Briefing Report to the Ranking Minority Member, Subcommittee on Conservation, Credit, and Rural Development, Committee on Agriculture, House of Representatives
January 1989
RURAL DEVELOPMENT
Federal Programs That Focus on Rural America and Its Economic Development
GAO/RCED-89-56BR

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-217782

January 19, 1989

The Honorable E. Thomas Coleman
Ranking Minority Member
Subcommittee on Conservation, Credit,
and Rural Development
Committee on Agriculture
House of Representatives

Dear Mr. Coleman:

In a February 18, 1987, letter, you asked us to review all federal programs to determine those that are essentially rural and to recommend which of those programs could be made more productive by being relocated in a new Rural Development Administration. The Rural Development Reorganization Act (H.R. 2026), which you proposed in the 100th Congress, but which had not been acted on at the time the Congress adjourned, would have established such an agency within the U.S. Department of Agriculture (USDA).

Subsequent to your request, we agreed with your office to provide information on three questions: (1) What is rural America? (2) What is the rural share of federal funding? and (3) What are rural development-type programs? This briefing report contains the results of our work, which we presented to your office in a series of briefings.

To respond to the questions, we reviewed descriptive information and financial data on federal programs and, in consultation with your office, developed definitions of "rural" and "rural development-type programs." According to these definitions, rural refers to counties with urban populations of less than 20,000 and rural development-type programs are those that pursue economic development purposes and/or that have an apparent rural focus.

RESULTS IN BRIEF

-- About two-thirds of all U.S. counties (2,097 of 3,096) met our definition of rural, i.e., counties that have urban populations of less than 20,000. About 16 percent of the U.S. population lives in these counties.

-- For the programs for which data were reported, about

17 percent of federal domestic funding went directly to rural counties. The percentages of such funding, however, varied widely among the various federal agencies. For example, USDA programs had the highest average of program funds going directly to rural counties--50 percent, while Department of Housing and Urban Development programs and Department of Energy programs had the lowest averages--4 percent and less than 2 percent, respectively.

-- We placed each of the approximately 800 federal domestic assistance programs we identified into one of six categories based on our assessment of the extent to which it met development objectives. The four categories containing the principal rural development-type programs include (1) economic development, i.e., programs that assist business and industry, (2) agriculture and natural resources, i.e., programs that assist food and fiber producers, (3) infrastructure, i.e., programs that help states, communities, and others construct and maintain community facilities, transportation systems, utilities, and public works, and (4) human resources, i.e., programs that provide education, employment and job training, health services, community services, and housing.

We identified 88 programs in these four development categories that met the definition of rural development-type programs. The 88 programs provided total funding to both rural and nonrural counties of about $29 billion in fiscal year 1987. Rural share data for fiscal year 1985 were available for 48 of these 88 programs (or parts of programs). The 48 programs provided about $17 billion, of which about 21 percent went directly to rural counties.

OBSERVATIONS

Regarding the proposed Rural Development Administration, our review of federal program descriptions showed that few programs have specific rural development objectives. If a rural development focus is desired at the federal level, it could be created by restructuring and supplementing existing programs, such as those described as rural development-type programs in this briefing report.

Among the federal agencies, USDA administers the greatest number of rural development-type programs, is the only agency with programs in all four rural development

categories, and provides the highest percentage of funding to rural counties. Thus, USDA would be the federal agency with the broadest experience base for implementing a rural development policy via the proposed Rural Development Administration.

SCOPE AND METHODOLOGY

We performed our work primarily between August 1987 and June 1988 in Washington, D.C., with updates as appropriate through October 1988. In consultation with your office, we developed definitions of "rural" and "rural development-type programs." We applied these definitions to data from two nationwide federal information systems--the Bureau of the Census' Consolidated Federal Funds Report and the General Services Administration's Catalog of Federal Domestic Assistance. We integrated data from these two systems and conducted extensive computer analyses to develop lists and descriptions of rural development-type programs. In addition, we conducted an extensive literature search, interviewed rural development and public administration experts, interviewed those who maintain and use the two information systems, and reviewed existing laws and legislative proposals relating to rural development.

More details on the objective, scope, and methodology of our review are in section 1. Sections 2, 3, and 4 provide additional details on the three questions we addressed, and section 5 presents observations based on our work. The appendixes provide (1) information on the rural/nonrural classification of all U.S. counties (app. I), (2) lists of federal domestic assistance program funding for fiscal years 1985 and 1987 and rural shares, by agency (app. II) and development category (app. III), and (3) information, such as objectives, types of assistance, and eligibility requirements, for the programs we identified as rural development-type programs (app. IV).

USDA officials reviewed a draft of this briefing report for technical content. Their comments have been incorporated where appropriate. However, at your request, we did not obtain formal agency comments.

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As arranged with your office, unless you publicly announce the contents earlier, we plan no further distribution of this briefing report until 30 days from the date of this

letter. At that time, we will send copies of this report to various committees, subcommittees, and Members of Congress; the heads of pertinent federal departments and agencies; and other interested parties. Copies will be made available to others on request.

Major contributors to this briefing report are listed in appendix V.

Sincerely yours,

John W. Harman
Associate Director

TESTIMONY BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE
ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT
BLACKFOOT, IDAHO
AUGUST 22, 1989

Congressman English, Congressman Stallings, staff, my name is Phil Choate, and I am appearing before you today in two capacities. First, as the Executive Director of two economic development agencies from southwestern Idaho and eastern Oregon. I am the Executive Director of the IDA-ORE Planning and Development Association, an economic development district for that area, and the Executive Director for Treasure Valley Certified Development Corporation, a small business lender in that same area. We serve 12 counties covering over 40,000 square miles, having approximately 400,000 residents, and three Congressional Districts.

The other capacity I fill here today is as the Northwest Regional Director for the National Association of Development Companies (NADCO). As a member of the NADCO Board of Directors, I am pleased to also represent the recipient of the NADCO "Most Active Rural Certified Development Company" recognition for 1988 and 1989.

My purpose here today in testifying before the House Subcommittee on Conservation, Credit and Rural Development is to address three topics. First of all, rural development requires the participation of both private and public sectors and public leadership is often the key to success. Participation by the public sector in rural economic development is often fragmented and is best served by an economic development authority which

represents the collective participation of local city and county governments working in partnership with state and federal governmental agencies. Without the participation of local units of government, the financial and technical leadership necessary to accomplish economic development goals is often lacking.

The second general point that I would like to make is that rural economic development, just as it does in the more urban setting, requires a strong capacity to create and implement strategic planning policies for business and economic growth. Without policy plans, and without the resources to implement those policy plans, local leadership, however well intentioned, will not accomplish its objective.

Finally, one of the most critical problems confronting local development agencies is the attraction of and availability of adequate capital for business and economic development functions. Here I will devote myself to the business development finance area and discuss initiatives that our organizations have under way to accomplish our goals and the initiatives of one of the trade associations of which we are a member, the National Association of Development Companies.

Local Government in Rural Development

All development takes place in a local context and, even if local government has no specific role in fostering development activities, they must embrace it through their public functions in providing for the development of land and the provision of public services to accommodate and protect the investment of the private sector. In less developed parts of

our country, areas we call "rural," these kinds of development services are often lacking and many times city and county government are also not prepared to play the basic public role in development by accommodating land development and providing necessary public services. In rural communities, a lack of capacity can sometimes be one of the most serious stumbling blocks to economic development.

My colleagues and I have been involved for several years in an economic development program which provides resources to local city and county governments on a pooled basis covering entire regions. We operate economic development districts, which are funded by and sponsored by city, state, county and federal governments. Our purpose is to correlate and professionally deliver the best available collection of public resources for economic and community development. Often times, city and county governments are incapable of delivering quality professional development services on their own. These pooled arrangements create, not only local capacity, but regional capacity to accomplish these same goals at an affordable cost to all parties concerned, including the federal government.

Strategic Planning

An important part of this economic development program is the strategic planning function served by regional economic development organizations and groups. Again, there is an understanding and appreciation for the fact that economic development only occurs in localities such as Blackfoot, Idaho; Enid, Oklahoma; Mountain Home, Idaho; or Ontario, Oregon. However, the capacity of individual units of government at the local level to have a professional economic development program strategic planning and program

implementation is often very limited. The capacity to do this kind of work is enhanced when they do so in cooperation with sister city and county governments in the same region. The local resources can then be directed specifically at those programs and projects which are not divisible with their companion governments in neighboring counties.

Again, as economic development districts, we have all benefited in our region from our relationship with the Economic Development Administration. Their planning grant program, which also provides for technical assistance and has enriched the ability of the city and county governments in our regions of Idaho and in many other regions around the country to provide basic strategic planning and technical assistance for our region and for individual localities whose focus is long-term economic growth. However, because of limitation on local resources and Federal austerity measures, these planning resources have often been stretched to the breaking point. Even on a pooled basis, there is insufficient capacity to meet local and regional needs.

The Department of Agriculture program of which I am aware that is provided by the Farmers Home Administration (addressing this need of strategic planning capability) is that authorized under Section 111, Title 7, Section 1926(a)(11), which permits the Secretary to make grants not to exceed $15,000,000 annually for planning and technical assistance to local public bodies or other agencies that the Secretary may select for rural development services in a region. It would be our recommendation that Section 111 planning and technical assistance grants receive the necessary appropriations to enable the Farmers Home Administration to more effectively deliver its other rural development assistance.

Those resources can be targeted and focused on strategically important public and private investments which will bring long-term economic growth to the localities affected.

Development Finance

Third, I would like to focus on the importance of professionally lead local investment activities utilizing public/private investment strategies which have enjoyed a measure of success in our region, and I would also like to tell you about an experiment that we began over a year ago with the assistance of the Farmers Home Administration. First of all, most rural development professionals will testify that rural communities (businesses and lending institutions) routinely encounter barriers to business development finance as a result of limited capital availability and/or the limited capacity of rural lenders to address commercial development. Most rural lenders are practiced agricultural lenders, but often times have a difficult time understanding or supporting entrepreneurial development.

Part of our mission as rural economic developers should be to diversify the local economy, making is less dependent on agriculture and other extractive economic functions, while at the same time supporting the traditional economic base, such as agriculture. Part of our tradition here in Idaho is the family farm, a concern of Americans throughout the nation. We believe that economic diversity can provide the capacity for family farms to survive and to contribute to the nation's socio/economic prosperity well into the next century.

Existing Lending and Investment Vehicles - Revolving Loan Fund

Business development finance is sometimes considered an archaic science with many pitfalls and few opportunities afforded the average entrepreneur attempting to finance their businesses' development. Two vehicles that have created business development opportunity in the past, which we believe to be essential, are the so-called "revolving loan fund" program and the SBA's Section 504 loan. Through our development finance operations, we manage both of these development finance functions for the urban area that includes Boise and for 11 other rural counties in southwestern Idaho and eastern Oregon. Revolving loan funds have historically come from the Economic Development Administration and the Department of Housing and Urban Development's Small Communities Program, and in our area have lead to 10 loans to manufacturers, retailers and service providers totaling $824,812. These loans have leveraged other private investments in a ratio of 5:1 and have created or retained 238 jobs in our rural area. Most of our loans are made to firms for whom credit is either not available or is not available at terms and rates that they can afford. We have had only one failure in our lending practice with the revolving loan fund and have managed to keep other small businesses afloat during difficult times with our assistance. We approach each of our revolving loans in a very serious manner, making sure that the loans, based on the historic conditions in the business or forecasts that are reasonably supportable, loan repayment will be supported by cash flow equal to or greater than debt service requirements.

As you can see, we have succeeded in the two primary objectives of economic development--job creation, by creating jobs at a cost of $3,500 per job to the public sector,

and have leveraged substantially higher amounts of private investment than we have invested. The success of our revolving loan fund program is heavily dependent on the flexibility and capability of our lending practice, which is based on a revolving loan fund management plan and by skilled professional analysis and service. These circumstances are not always available and affordable on a practical basis at the local level without pooling those resources, and often times it is a mistake to invest large amounts of revolving loan funds in a small rural community market which does not have the capacity to invest those funds in a broader market area that will support prudent lending practice. However, our revolving loan fund loans are made outside of the Ada County area in southwestern Idaho and eastern Oregon, and are managed in tandem with a very aggressive SBA Section 504 lending program.

Our SBA Certified Development Company only makes loans of $100,000 or larger, which provides a natural small business lending niche for our revolving loan fund in rural communities. Projects which will not fit our Section 504 loan program are immediately considered for the revolving loan fund program and, of course, those projects that fall into the smaller loan size (projects costing $100,000 or less) are also serviced by the revolving loan fund.

The SBA 504 loan program has been, for our area, the flagship small business lending program, and as I mentioned earlier, this six-year old certified development corporation has earned in each of the last two years the recognition of the National Association of Development Companies as the Most Active Rural Certified Development Company in the nation. The Section 503-504 program is now approaching its 10-year anniversary. During

that 10-year period, it has provided services to industry and business throughout the nation totalling more than 7,000 companies. The SBA 504 loan program has provided funding which exceeds $1.5 billion to local growing companies through the nation's 460 certified development companies. These 7,000 loan beneficiaries have in turn created or retained over 100,000 private sector jobs. The program's $1.5 billion has stimulated other private investments of over $3 billion in total capital. This means that the program has also been able to leverage $2 of private capital for each $1 that SBA guarantees. I might add that all capital since the Section 504 program was enacted now comes directly from the private sector through the sale of debentures on the public markets.

The quality of our portfolio is also a significant issue. Only 2.4 percent of loans are currently delinquent by 60 days or more, and because SBA 504 loans are secured by real estate and other hard assets, the actual program losses will be even lower.

To summarize our experience with the SBA 504 loan program, the Treasure Valley Certified Development Corporation has created a total of $31,663,616 of closed financing for small business concerns in our region over the past six years. The government's participation in that overall financing amounts to $12,487,000--that's a leveraging ratio of 2.5:1, and the 1,211 jobs retained or created in that process was accomplished at a cost of roughly $10,000 per job.

The distribution of our portfolio of the 81 loans that have been approved by the SBA are 44 percent rural and 56 percent of the loans in Boise City, which is the metropolitan area

in our region. Many certified development company lenders, which operate statewide lending practices, also provide significant service to rural borrowers.

Problems for Rural Development Finance

Inspite of our success in development finance, we still notice major problems and barriers to rural development. One of those problems and barriers associated with the 504 loan program is the "cost per job" standard established by the Small Business Administration. This has been a serious problem throughout the nation in recent years. A recent study completed by Arthur Anderson and Company for the Development Finance Funding Corporation, the vehicle of the National Association of Development Companies used to fund Section 504 loans, reveals that nationally recognized sources view the cost of creating jobs as much higher than that anticipated by the Small Business Administration in 1980 when the program was created. The cost is estimated to be well in excess of $100,000 for new manufacturing jobs, which is the kind of investment that the Small Business Administration wants us to emphasize. As a result of the research done by Arthur Anderson and Company, NADCO, our trade association, is working very hard to try to negotiate a change in the cost per job requirement for the Small Business Administration from $15,000 to $35,000. If we are able to negotiate that change, we feel that this will strongly benefit the rural lending practices of many certified development companies around the nation.

The second initiative by the National Association of Development Companies recently has been the attempt to create a facility which will enable local certified development

companies to originate SBA 7a guaranteed loans. Currently NADCO is working closely with Merrill Lynch to transfer an inactive small business lending company license, which will enable NADCO members to provide SBA 7a guaranteed loans to borrowers throughout their regions. This too is a significant advantage to rural areas banks often are reluctant to make SBA guaranteed loans which impedes rural lending and economic growth. Working capital is a very serious need for small business concerns, and the guaranteed loan program is one lending vehicle available in rural areas to deliver such a service.

Finally, in our attempt to create a development finance resource for our rural area in southwestern Idaho and eastern Oregon, we have, with the help of the Farmers Home Administration's Industry Development Grant program, created a program that is as yet untested. We call our initiative the Revolving Development Fund Program and is in response to a need we perceive which exists throughout rural communities, a lack of modern manufacturing and business facilities to support business development. The program functions much like the Revolving Loan Fund except that the funds are used in the form of equity capital in partnership with building owners or property developers. We are working on two projects currently with the help of Farmers Home Administration to create new industrial plants for two companies, one in Glenns Ferry, Idaho, and one in Ontario, Oregon, which we hope will prove to be a new model for leveraging private capital and creating new plant capacity in rural communities for business growth. I have included an Executive Summary of our program design in your packet for your reading and information.

As I close, I would like to remind you that rural development and economic development in general is an area that has been the focus of professional organizations for many years. There are strong public and private partnerships in existence throughout the nation, which stand ready to serve as a partner to the Department of Agriculture in delivering vigorous development services in our rural areas. I would urge the House Subcommittee on Rural Development to consider the economic development districts and certified development corporations as serious and experienced partners in the enterprise of rural development.

Statement of

A. E. (Van) Van Winkle

Director of CoBank--National Bank for Cooperatives

Before the

House Agriculture Subcommittee on Conservation,

Credit, and Rural Development

Blackfoot, Idaho

August 22, 1989

My name is A. E. Van Winkle, my friends call me Van. I serve on the board of directors of CoBank--National Bank for Cooperatives and have been involved in cooperative finance most of my adult life. I worked for the Spokane Bank for Cooperatives for 33 years and retired in 1982 after serving as the bank's chief credit officer. For the past several years I have been active in helping to establish cooperative credit systems in developing countries including Costa Rica, Uganda, Zambia, and the Philippines. I'm presenting testimony today on behalf of CoBank.

CoBank is part of the Farm Credit System which is owned by farmers, agricultural cooperatives, and rural utility systems. CoBank was formed on January 1, 1989, with the merger of 11 of the 13 Banks for Cooperatives --including the Spokane Bank for Cooperatives. The Spokane region office of CoBank serves the states of Idaho, Montana, Washington, Oregon, and Alaska.

CoBank is the largest bank in the Farm Credit System and the largest cooperative lender in the United States. The bank currently has over $9 billion in loans outstanding--primarily to agricultural cooperatives and rural utility systems. In the past seven years, CoBank has financed the export of over $9 billion in agricultural products. The bank is the largest user of the Commodity Credit Corporation export loan guarantee programs.

Mr. Chairman, I commend you and the committee for holding this hearing on rural development. CoBank, as a lender to some of rural America's most successful businesses, has a direct interest in helping to revitalize the economy of rural America. Our only business is financing rural America--and we have done so successfully for 55 years. For those reasons, I believe CoBank, the other two Banks for Cooperatives, and our customers are in a unique position to bring about positive changes in the rural economy.

I'll provide the committee with a couple of statistics that illustrate the importance of cooperatives to rural America. According to the latest available data, the largest 100 agricultural cooperatives had a total of $47 billion in annual sales. Fifteen of these cooperatives are on the Fortune 500 list of America's largest businesses. Those 15 cooperatives employ more than 60,000 people, most of them in small towns and rural areas.

Today, I want to speak in favor of a specific proposal that we believe will help rural communities and businesses. To be successful and to expand their operations, our borrowers and rural businesses in general need adequate infrastructure facilities--particularly water and waste disposal systems.

Rural communities are struggling to improve or install water and waste disposal systems to meet health and safety standards. It's clear there is a need for a long-term lender to act as an intermediary between rural communities and the large, complex financial marketplace.

The Department of Agriculture and the Environmental Protection Agency estimate that rural communities require $20 to $40 billion in capital expenditures to bring water and waste disposal facilities up to national standards. Early in the 1990s, more stringent federal standards will be imposed on the drinking water systems in 56,000 small and rural communities. EPA estimates that about 43,000 of those communities will need to upgrade existing water systems to meet the new standards.

While the demand for financing is increasing, the Farmers Home Administration has only enough loan funds available for the neediest of communities--$330 million in 1989 compared to $900 million in 1979. This situation has created an extensive backlog of applications for community development loans.

The Farm Credit System's Banks for Cooperatives offer a partial solution to the problem. The Banks for Cooperatives have been making utility loans--to rural electric and telephone systems--for over 15 years. Total loans and commitments to the utility industry exceed $3 billion and have helped diversify and stabilize the banks' loan portfolios.

In 1986, Congress authorized the Banks for Cooperatives to assist rural communities in refinancing certain federal water and waste disposal loans. Using that limited authority during the past 18 months, the banks have provided $90 million in loan funds to about 60 communities. From that experience, it's become clear that many communities would like to have the option of obtaining credit from a private lender with utility experience and long-term financing programs.

In addition, the Banks for Cooperatives and their traditional agricultural cooperative customers are increasingly aware of how the economic health of

rural communities affects farmers and agribusinesses. For those reasons, it makes good business sense for the Banks for Cooperatives to assist in financing rural infrastructure.

The rural development bill recently approved by the Senate includes a provision authorizing the Farm Credit System's Banks for Cooperatives to provide financing for water and waste disposal systems owned by rural communities and nonprofit organizations. The authority would be limited to those communities defined as "rural" under the Consolidated Farm and Rural Development Act—towns with populations under 20,000.

We support this proposal and encourage you to consider including it in any rural development bill considered by the House. I will also note that this proposal would have no effect on the federal budget and there would be no cost to the taxpayers.

Mr. Chairman, I'd be remiss if I didn't take this opportunity to bring another issue to your attention. That issue relates to the insurance program established under the Agricultural Credit Act of 1987. The insurance program was intended to protect investors in Farm Credit System bonds. Under the Act, insurance premiums are charged for outstanding loans made by Farm Credit System lenders.

We generally support the insurance program. However, a technical problem with the statute requires that an insurance premium be charged for loans guaranteed by the federal government. Farm Credit System lenders, and particularly the Banks for Cooperatives, have over $3 billion in loans outstanding that are partially or fully guaranteed by the Farmers Home Administration, Rural Electrification Administration, or the Commodity Credit Corporation.

Charging an insurance premium on the portion of a loan that is guaranteed by the federal government makes little sense. The cost of the premium must be passed along to the customer and, in some cases, the 15 basis point premium means the System will lose risk-free loan volume.

CoBank estimates that it will lose over $500 million in such volume in 1989 due to the insurance premium. Much of that loan volume will be lost on export loans where differentials in interest rates of as little as five basis points can make or break a deal. In some cases, American farm products will not be sold because the 15 basis points premium means that a better financing arrangement was available from a foreign competitor.

The Farm Credit System is supporting a legislative proposal that would correct this technical problem by authorizing the Farm Credit Administration to establish a risk-based insurance program for federally guaranteed loans. I would urge you to support that proposal.

Mr. Chairman, I appreciate the opportunity to testify here today and I'd be happy to respond to your questions.

EO14b/19

THE SPOKANE DISTRICT FARM CREDIT COUNCIL
FARM CREDIT BANKS BUILDING • POST OFFICE BOX TAF-C5 • SPOKANE, WASHINGTON 99220 • (509) 838-9208

Testimony of Al Haslebacher
President
Spokane District Farm Credit Council

before the House Agriculture Subcommittee
on Conservation, Credit and Rural Development

Blackfoot, Idaho
August 22, 1989

My name is Al Haslebacher, and I am president of the Spokane District Farm Credit Council, a regional trade association in the Twelfth Farm Credit District representing the Farm Credit Bank of Spokane, the Interstate Federal Land Bank Association, the Interstate Production Credit Association, the Spokane Region of the National Bank for Cooperatives (an entity resulting from the merger of 10 of 12 Banks for Cooperatives in the Farm Credit System), and 28 cooperatives in the Twelfth District who are stockholders of the National Bank for Cooperatives.

My board of directors is composed of directors from each of these classes of institutions, and they have strongly endorsed the testimony which I am presenting today.

Basis for Farm Credit System Interest in Rural Development

The Farm Credit System (System) has been in the rural development business for 72 years and has a strong interest in the well-being of rural America. That is why the FCS has been following Congressional efforts to pass rural development legislation. The Spokane District Farm Credit Council would like to share its thoughts about the critical elements of any new federal rural development strategy from the System's perspective, and why the System should be considered an important link in any new Congressional rural development initiative. In addition, we think that you should know what limitations the System has in being able to meet such a role under current authorities.

It is very obvious to most observers what the System has meant to rural America. In its most basic form, this role has been to provide a conduit for capital from the nation's money markets to rural areas. Congress established the framework for the privately owned, cooperative institutions that comprise the System to ensure that credit was available, in both good times and bad, to farmers, ranchers and the cooperatives that serve them. The System finances the most creative group of risk-takers in this country — America's farmers. System institutions have provided both short-term operating loans and long-term real estate credit. The System has financed complex, family-owned agribusinesses, rural housing, rural electric and telephone systems, cooperatively organized rural water systems, large agricultural cooperatives

that rank high on the list of Fortune 500 companies, as well as small, local cooperatives that own one country elevator.

When the commercial banks of our nation moved away from working with the GSM international financing program of USDA, it was the System that stepped in to finance U.S. agricultural exports to developing markets. The System now has over $2.25 billion in international loans in its portfolio, and hasn't lost a penny in this loan making authority.

It has been the farmer-owned associations and banks of the System which have, in large measure, served as the dependable source of credit to rural areas throughout its 73-year history. This broad purpose and public-private partnership has been recognized and reaffirmed by Congress in every major piece of Farm Credit legislation enacted since the System's inception.

Much has changed in rural America since those early days. Agriculture is no longer the predominate business enterprise of the country. Less than one-third of all non-metropolitan counties are considered to be dependent on agriculture. Within the last 35 years, the farm labor force has dropped by 65 percent. Farmers today account for less than three percent of the population, less than one-fifth the level in the early 1960s. Perhaps of greatest relevance is the fact that for at least the last decade, upwards of 30 percent of total farm income came from off-farm sources. The vitality of the rural business community is essential to the vitality of the agriculture community.

Strengths of the Farm Credit System

The System can support and enhance the sound economic development of rural America. The following are some of the strengths which the System brings to this process:

- a long-established track record in meeting the highly diverse, complex financial needs of farm, cooperative and utility lending. System institutions are the only lenders to exclusively serve rural America. Today, the System has upwards of 600,000 loans outstanding to farmers and to several thousand farmer cooperatives.

- experience in financing rural home loans. To date, local Farm Credit institutions have made 43,000.

- skilled loan officers and appraisers who understand the factors that affect the success of rural businesses.

- an established delivery system which includes 269 locally owned associations which serve all regions of the country, and an established Bank for Cooperatives structure which serves eligible cooperative borrowers throughout the country. This total delivery system is second to none in rural America. It is in place with credit professionals and experts who can provide technical assistance to meet an even larger demand in rural America.

- procedures in place to minimize risk, based upon cash flow lending, proper collateral and loan documentation procedures.

Limitations on Farm Credit System Authorities to Assist Rural Development Efforts

- The 20 percent through-put requirement on basic processing and marketing loans restricts the System's ability to finance related operations essential to current borrowers. Under present authority, a farmer who receives System financing for processing or marketing enterprises must grow at least 20 percent of the product. This is an arbitrary standard, and not realistic in view of the rapid changes taking place in processing and marketing. Many times System institutions have been put in the position of helping a farmer to get started in business, but then having to end a positive lending relationship because of this arbitrary standard. In several areas of the country there are examples of processing operations which may not get credit because the operations are not supported, in part, by growing/harvesting activities. In the State of Maine, for example, there are a number of wood processing and manufacturing facilities which cannot be financed because they do not meet the harvesting or growing requirement. Nonetheless, these are businesses which could benefit from the financing alternatives which competition among lenders brings, and that is of critical importance to the success of current System borrowers in their own operations.

- Eliminate reference to "on-farm" for related businesses. System institutions are authorized to lend to agriculture-related businesses, but only to the extent that the business is conducted "on-farm." This limits financing for many agricultural service operations. For example, a Farm Credit association is currently evaluating a forestry equipment sales/service company which has requested a line of credit. The service segment of the business is eligible under the farm-related business guidelines, but this accounts for only a small percentage of the company's total sales.

- Population limit for rural home lending inconsistent with the FmHA definition of rural areas. The current limit that a town or village cannot exceed 2,500 persons is much too narrow, and inconsistent with other federal definitions of rural areas.

- Fifteen percent limitation for rural home lending restricts rural home development. The 15 percent limitation on institutions' portfolio lending for rural homes should be increased or eliminated. This limitation represents an unnecessary constraint on the availability of credit for rural home purchasers who want dependable lenders that can provide a constant source of financing.

- The Senate approved S. 1036 on August 2, 1989, and it now goes to the House for consideration. S. 1036 contains a provision which grants authority for Banks for Cooperatives (BCs) of the Farm Credit System to offer water and waste treatment loans in rural areas. The provision stipulates that the BC system would be permitted to lend to small communities for the improvements, repairs and new construction of water and waste systems. However, Farm Credit Banks and associations are not mentioned in the Senate version. To fully utilize the FCS distribution system and expertise, the Farm Credit Banks and associations should have similar authority.

- Another area that needs modification in order to be of greater use for lending to minimally-capitalized farmers and agribusinesses is the FmHA Guaranteed Loan Program. It is difficult to extend credit to new farmers/agribusinesses without positive track records or to other more marginally-credit worthy operations without some type of a loan guarantee program. The FmHA Loan Guarantee Program is an excellent concept but has a number of obstacles and restrictions that makes its usefulness less than fully practical. Changes in that program to make it more comparable to the Small Business Administration's loan guarantee would enable the System and other lenders to more fully participate in any new rural development efforts.

Farm Credit Council Resolution on Rural Development

Earlier this year, the district Farm Credit Councils and the National Farm Credit Council unanimously adopted a policy statement on rural development. This resolution read in part:

> "The availability of competitively priced credit in rural areas is essential for economic growth to take place. System institutions are well situated to serve the broader credit needs of rural areas including the financing of rural infrastructure. Further, a more diversified loan portfolio would strengthen System institutions, permitting them to better serve their traditional clientele.
>
> "Accordingly, the Farm Credit Council will support legislation to preserve and enhance the role of System institutions in financing credit-worthy rural enterprises, both community-based and private, while maintaining the existing farmer and farmer-cooperative ownership of the System.

Principles for Rural Development

We would also suggest that there are certain fundamental principles which should be applied to any federal rural policy. These include:

- leadership for any development project from within the local community;
- local commitment to any project proposed;
- outside expertise to help identify local resources which can help channel and build upon local strengths;
- community ownership, direction and a partnership in funding;
- financing of any rural enterprise on a sound business basis to help ensure the long-term survival of the enterprise financed.

Conclusions

While Congress examines ways in which the System could more effectively assist and stimulate rural economic development, the System must not jeopardize any of

its existing services to current customers. However, we believe that lending to a broader base of customers will help diiversify the System's loan portfolio and thereby strengthen each institution's ability to withstand the inherent cyclical economic problems of agriculture. To the extent that the System can help strengthen the rural economy in general, agriculture will ultimately reap the rewards.

We suggest a careful review of the current limitations on the System's authorities to meet future needs in rural America.

Just as Congress determined that there was a need for "Farmer Mac" to increase competition in what have been our traditional markets, there is a need to ensure that the System is an equal player in any new strategy on rural development.

Congress should not invent a new bureaucracy to serve rural America. Like a number of other federal programs that were created in the earlier part of this century, the System can help meet the objectives which Congress intends. But while agriculture and commercial banking have changed dramatically over the past 35 years, the System's lending authorities have not. The System's principal concerns are that efforts be directed to credit-worthy activities, be related to the System's expertise, and be of benefit to the System's owners.

No other institution has a greater stake or is better positioned to assist in carrying out new policies for the development of rural America. The System was created to enhance the well being of farmers, ranchers and their cooperative businesses; therefore, the System has both the desire and ability to enhance the vitality of the rural America infrastructure so necessary for a modern and successful agriculture.

The Farm Credit System stands ready to help.

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Testimony presented by Gary E. Fuhriman, representing the Idaho Farm Bureau Federation.

House Agriculture Subcommittee on Conservation, Credit and Rural Development at Blackfoot, Idaho on August 22, 1989.

The Farmers Home Administration (FmHA) after several years of moratoriums on foreclosure started proceedings against 60,000 borrowers in November of 1988 by filing notices of delinquency.

We have no problems with this. Once foreclousre is completed and FmHA acquires the title to the property, it may transfer properties at reduced or no cost to U.S. Fish and Wildlife (USFWS) and other wildlife and conservation agencies if they meet any of three general conditions. Since the transfer authority is fairly broad and the numbers of farms in inventory is likely to double, or triple, in the next few years; the number of transfers could increase to several thousand.

As your are very well aware more thans 60% of the lands in Idaho are owned by the federal government. Many of our counties have very little private lands to provide the tax base for needed services.

Due to the depression of agricultural commodity values during the last several years considerable land has been acquired by the FmHA by abandonment or foreclosure. In fact Idaho's FHA Director reports that there are approximately 170 parcels of land comprising 42,825 acres in Idaho's FmHA inventory. All of these lands have previously been private land which was bought by individuals using FmHA monies. Now with these lands in a Federal Agency inventory, they could ultimately end up in another federal land management inventory, thus being dropped from the respective county's tax roles.

There are not provisions for third party input into the determination of transfers, as it is between FmHA and USFWS under the guidelines now in effect.

Testimony by Gary Fuhriman
Page 2, Continued.....

We would like to recommend that a third party of local officials be involved in the determination of these transfers.

We understand that the existing rules for dissolution of these lands include provisions to set aside environmental easements to protect wetlands, flood plains, riparian areas etc. before being resold back to the public. We sincerely believe that access to these protected areas should only be allowed by permission of the owners who pays taxes on the land.

Idaho Farm Bureau is also very concerned about the future of these inventory lands. We believe these lands should be sold back to the public, if at all possible, so they could remain on the tax role.

When these lands are sold, they should be appraised by a reliable apprasier and a minimum value be set on each parcel. Unless a value is established, a total open auction could result in a serious erosion of market value as well as assessed valus of surrounding lands.

In the event that these inventory lands are not saleable to the public and are eventually turned over to another Federal Land Management Agency, payment of taxes or similar reimbursement to that county should continue in order to stabilize rather than erode the county tax base.

A maximum impact scenario would be for all lands in inventory to be transferred (not likely), thus 16,000 farms with 5 million acres of land might be considered the maximum. Multiplying adjacent lands surrounding the properties by a factor of four would give indirect impacts on 64,000 farms with 6 million acres.

On behalf of Idaho Farm Bureau we urge you to work with the National Director of FmHA to create realistic rules that would put these lands to beneficial use, but maintain a landowner control of access to easements and a stable county tax base.

Subcommittee on Conservation,
Credit and Rural Development
Committee on Agriculture

Statement of Steve Goodwin, Director
National Farmers Organization
August 22, 1989
Blackfoot, Idaho

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear at this hearing and present some of my views on a subject that I feel very strongly about. The development, revitalization and reenergizing of rural America. The need is urgent and the time for action is past due.

The National Farmers Organization has representation on its Board of Directors from all areas of these United States, from Vermont in the northeast, to Georgia in the southeast, to Texas in the south, California, Oregon and Washington in the far west, as well as across the midwest from Montana, the Dakotas and Nebraska to Ohio and Pennsylvania. So I feel I have a broad base from which I can collect information.

From all areas the reports are the same, for too long rural America has been drained of its economic energy primarily due to low prices for farm commodities. Businesses have closed, school enrollments are down, church windows are being boarded up, couple this with the outmigration of tens of thousands of the best educated young people America can produce gives us an idea of how serious the situation is.

A. I think it would be most difficult and unwise to try to handle the revitalization of rural America without giving some thought to how development efforts and an improved farm economy might compliment each other.

B. I recommend a change of course in the upcoming 1990 farm program legislation. Thought should be given to increasing loan rates on the major grain crops as a low price safety net and then reducing direct payments

in an effort to relieve some of the deficit pressures on the federal budget. I suggest any effort to develop or revitalize rural America without prices for farm commodities at profitable levels will be futile.

This brings us to another issue that is presently being discussed and needs attention, trade negotiations. We, in the National Farmers Organization, are not interested in export-market expansion at the farmers expense. That is, entering into trade agreements that price farm commodities below the cost of production. We are convinced that the possible development of multilateral commodity trade agreements at acceptable price levels should be undertaken, but should be conducted independently of domestic program policy.

Though I feel that an economically strong farm economy must come first in revitalizing rural America there are other ideas we can consider, such as setting up local rural development committes to help establish priorities and identify opportunities to develop new or revitalize local enterprises that would make a contribution to economic stability in their community. Their efforts could be supplemented by organized support from business leaders and local organizations.

This approach could be valuable in gathering information on what types of small industry, business enterprises or services might be attracted to their area. They could also help identify credit sources, technical and/or financial assistance that might be available from federal, state or private sources.

Perhaps the greatest contribution the local committee ideas would make would be to bring together the broad based support so necessary to make any such local projects succeed.

I purposely did not get into a lot of detail, I just wanted to give you a few of our ideas in a general form that might serve as a starting point for the massive effort we hope will be forthcoming. And the job will be massive, it will take huge amounts of thought, money and work. The people in our Washington office will always be available to give assistance, feel free to contact them anytime they can help.

Again, I thank you for the opportunity to appear before this committee and comment on this very important issue that is facing our country. I am gratified that the Congress is taking a serious look at it.

IDAHO RURAL COUNCIL
Box 88 / Carey, Idaho 83320
208-726-4553

TESTIMONY FROM THE IDAHO RURAL COUNCIL FOR THE CONSERVATION, CREDIT AND RURAL DEVELOPMENT SUBCOMMITTEE, AUGUST 22, 1989, BLACKFOOT IDAHO

My name is Pam Baldwin. My husband Bob and I have a dairy operation in Meridian, Idaho. Today I am speaking as President of the Idaho Rural Council on behalf of the Board and our membership.

We are a statewide farm advocacy group but when our organization was formed we carefully chose the name of Rural Council instead of farm council because we see the important connection between a healthy farm industry and the survival of our rural communities.

We become increasingly alarmed when the discussion of rural issues minimizes, and in some cases, ignores the importance of agriculture. While only two percent of the nation's population are farmers, over a third of the country is still rural and largely dependent on the agricultural sector. But as that industry weaves and bobs in an effort to survive market turmoil and fluctuating commodity prices, the trend of economists and planners is ignore agriculture and search for something more stable on which to pin economic hopes.

You need only to look at the rural economic development legislation to confirm this. For new and burgeoning businesses you would build better sewers, water systems, hospitals and schools. But not simply to breathe new life into traditional industries which also need this support.

It also appears that you would promote rural economic development from the outside in by setting up new governing structures to administer these efforts. This seems a mistake in light of the numerous agencies and organizations already working in our communities. They are most familiar with local needs, skills and talents available for successful rural development efforts.

We are delighted to welcome large and small business development but the proposals aimed at these sectors prompts a "them or us" response. Instead we would encourage you to support both in a single package.

Food production is indispensable to this country. But consider our current farm policies. They specifically discourage

small farming operations by lowering loan rates and allowing major multinational corporations to buy cheap and control the market.

These policies are forcing farmers off the land. In Idaho alone, over 1500 operations went out of business in 1987 and 1988.

Our agricultural industry is in trouble. Some would say the crisis is over and certainly for several sectors it has improved. But what happens when it begins to rain again. These prices are not based on sound farm policy but on the whims of weather patterns.

With the loss of farmers we become dependent on food distribution determined by the whim of international food cartels and the production capabilities of countries from whom we will need to import our food.

If you set up agriculture to fail, there are few options for a state like Idaho but to replace the production of products with service industries--not a tradeoff in the national interest.

Ironically, because farming is in an economic slump, many farmers and their wives must have off farm jobs to subsidize their food producing efforts. In light of this, new, local jobs are welcomed. But wouldn't it simply be better to allow a food producer to succeed at his chosen profession and earn enough at it to support his family?

There is little in rural economic proposals at the state or national levels that would leave farmers to believe that their industry will be enhanced by these measures. We are highly supportive of developing business opportunities--establishing business support centers to assist new rural businesses, encouraging the extension service to advance telecommunications, computer technologies, and assist in community economic analyses-but this begs the basic issue. We must have a healthy agricultural sector where competent, hardworking families can receive enough income to become a part of the rural revitalization process.

We submit there are some very basic steps you can take to support our farm industry in a rural economic development package.

<u>First, we would strongly recommend that legislation encourage the use of agricultural by-products particularly in developing energy resources for the nation.</u>

Energy independence should begin in our farm fields. Despite lip service paid to using agricultural by-products as an alternate source of fuels, little has been done to make this a

widespread reality. We would like to see rural revitalization efforts promote this concept so that we could reduce our dependency on finite energy sources, achieve greater energy independence for the entire country and contribute significantly to the stability of agriculture.

Second, we encourage strong support for an effective, adequately funded mediation measure that will free up local financial and professional resources now draining community energy into legal battles.

Credit policies should never run rampant as they did in the 1970's when both federal and commercial lenders demanded you "get bigger or get out." Thousands of farm families have paid dearly for this policy.

We would recommend an effective mediation program adequately funded to allow borrowers and lenders to settle remaining loan disputes. They are more numerous than we like to admit and we fear there will be many new problems as a result of restructuring under the Agricultural Credit Act.

The mediation measure in this legislation is irrelevant for states like Idaho with no program. And although we may propose a state effort, the constant struggle for funds at the national level leads states to shrug and say "no money, no interest". An effective mediation program could eliminate months of disputes and legal battles and allow that effort to go into producing products and supporting local economies.

Third, we recommend the concept of a young farmers program that would provide incentives for young people to return to the land instead of moving into other higher paying professions.

Nationally, the average age of today's farmer is between 55 and 65 years old. Their children are leaving home for high paying jobs instead of staying in agriculture.

Until we have fair, stable prices for our commodities, we will need incentives for young people to stay or come back to farming. There are existing programs, such as the one with FmHA, that could serve as a starting point for this effort. But economic incentives could be coupled with educational and conservation opportunities which would not only enhance the farming operation but the community as a whole.

New farmers might be expected to have academic skills as well as on-the-ground experience to qualify for reduced loan interest rates or other incentives. They might be required to demonstrate soil and water conservation practices and work on low input research pilot projects.. Encouraging a new generation of educated, professional farmers could breath new life into

communities as effectively as any other measure proposed in rural economic development plans.

Fourth, we urge you to strengthen our public interest research institutions such as land grant colleges, through incentives and/or funding so there will be a reliable center for technological information in the public interest for our rural communities.

Today there is little funding or support for serious agricultural research which has forced our scientists and technicians to take grants from the chemical and pharmaceutical companies that have a lock on existing research. Farmers only have information on chemical use provided by companies who manufacture them and have a stake in their promotion. There is no neutral source researching the economics and safety of farm products. This kind of comprehensive information in agriculture is indispensable if we are to strengthen our industry and encourage wise use of our resources within our communities.

We respectfully submit this testimony hoping that the committee will look beyond the development of new entrepreneurial efforts when it looks at revitalizing rural America. We all need new and better roads, sewers, hospitals and schools. But we also need a healthy agricultural industry in the United States. We need prices that will allow farmers to earn a decent living and we need to employ techniques such as those listed above to support this vital industry and the communities it sustains.

We appreciate the opportunity to present these ideas to you today and would be happy to work further with you on any activities which will strengthen agriculture and our rural communities. Thank you for your interest.

STATEMENT OF THE

UTAH - IDAHO FARMERS UNION

Boyd W. Munns

President

I am Boyd Munns, President of the Utah-Idaho Farmers Union general farm organization. On behalf of the members of the two-state organization, I appreciate this opportunity to submit recommendations regarding the critical issue of rural development. At the beginning, I would like to commend you for conducting these field hearing and discussions, important to so many Americans who have felt left out of the economic progress of the 1980's.

I own and operate a diversified farming operation near the Utah/Idaho border and live in the community of Garland, Utah. My operation includes dryland farming, irrigated farming, a dairy operation, and cattle.

The need to revitalize the rural sector of our nation has become readily apparent in the fact that rural America lost over a million and a quarter residents in 1986 and 1987 alone. The deterioration of the rural infrastructure continues a an alarming rate, while the tax base needed to finance needed repairs and replacements is declining or stagnating. Compounding this issue in Idaho and Utah is the fact that nearly two-thirds of the property in our states is controled be the federal government. This further erodes our tax base and is a handicap to rural development opportunities.

Because of the economic problems facing rural communities, basic necessities such as health care and education are deteriorating. If policies toward our rural communities and the agriculture industry which has supported them for the past 200 years are not changed, rural Americans will become second class citizens.

The Congress of the United States is faced with the serious policy decision of the future structure of the agriculture industry. With the serious debt problems faced by many farm families, will rural residents, specifically families, continue to be the backbone of American production agriculture? If rural development discussions and ultimately programs do not focus in on the agriculture resources, then we are overlooking our greatest development opportunity. In this light, the most important rural development tool will be the passage of an adequated and fair Farm Bill. The Utah-Idaho Farmers Union therefore recommends the Farm Bill target family agriculture, a resource that will benefit our rural communities and not all production at minimal levels.

The renaissance that our rural communities experienced in the 1970's as a result of those seeking an improved quality of life has faded leaving behind boarded-up store fronts, property devaluation and bankruptcy. America in the 1980's

has developed a bi-coastal economy that has forgotten the heartland and our rural citizens. It is time to focus not only attention and discussion on rural development but commit the resources to bring economic recovery rural America.

The quickest way to stabilize and revitalize the rural economy is to restore profitability to production agriculture. The Food Security Act of 1985, which look likely to apply in 1989 and 1990, will cause further declines in dollars into the farm economy and ultimately further damage to our rural communities. A new direction that would infuse additional financial resources into the hands of family farmers and ranchers who will then reinvest in the rural infrastructure would be a positive policy alternative. Adequate price and income support levels would pump billions of dollars into agriculture and rural America.

Diversification of employment opportunities would be benefical in our rural regions. Opportunities in service, communications, industrial and professional will take considerable time and investment. To provide this type of direction, several billion dollars would be required for development programs, loan programs and loan guarantees.

Congress must reaffirm it commitment to rural development.

There is discussion in Congress of a Rural Development Bill for 1989 or 1990 or including a rural development title under the next Farm Bill. A comphrensive bill specific to rural development may be preferred over a title in the Farm Bill to maintain the focus. Farmers Union would recommend that an omnibus rural development act keep the United States Department of Agriculture as the lead agency. We would further recommend that USDA coordinate activities and work in cocperation with other Federal, State and Local agencies. In addition, this type of act should include such areas as health, education, transportation, credit, communications, human resource development such as job training, and capital investment in rural enterprises.

Given the federal budget deficit situation, major infusions of capital are unlikely. To achieve a comprehensive rural development goal, better utilization of existing programs must take place. This can only happen if a comprehensive inventory of programs is taken. Following the inventory, coordination and cooperation of the various agencies will be necessary.

Research and education will be key to the success of our revitalization efforts. Research on new products and new markets for current production will enhance the rural economy. Further processing and marketing of the new commodities with the opportunities staying in our rural communities.

Thank you Mr. Chairman.

TESTIMONY
OF
BUD TRACY, PRESIDENT
PACIFIC NORTHWEST GENERATING COMPANY
PORTLAND, OREGON

Mister Chairman, Members of the Committee, welcome to Idaho. For the record, my name is Bud Tracy and I'm here today as President of the Pacific Northwest Generating Company. PNGC is an electric generation and transmission cooperative, with 28 Member cooperatives in seven states. Together these systems provide retail electric service to about 700,000 residents of the Pacific Northwest.

First, Mr. Chairman, I want to commend you and the Committee Members for scheduling this field hearing in Idaho with special recognition to Congressman Stallings for his efforts in helping work for a better future for our state and its citizens.

Your concern for rural development is shared deeply by the Members of PNGC. Over the past 20 years, these rural electric systems have seen a dramatic shift, from an in-migration in the 1970s to an out-migration in the 1980s. This population loss coupled with a severe economic downturn throughout most of the 1980s has resulted in a tremendous loss of electric load for the rural electric cooperatives. And it is a trend that has not improved in most cases over the last several years, despite a bustling urban economic recovery.

But our problems, and hence our concern for rural development initiatives, go much deeper than just a loss of population. The PNGC Members have historically relied upon a natural resource based economy for economic growth and a better quality of life for our children and grandchildren. These industries include agriculture, mining and timber production. With the continual change in agriculture, a wildly fluctuating demand for mining products and a timber industry subject to environmental pressures, we must look for ways to diversify our economy, turn the corner on our economic problems and move forward into a new era of prosperity that is more concrete than our past.

In addition to our economic problems, the Rural Pacific Northwest and Rural Idaho are faced with a declining quality of life. Our infrastructure is deteriorating rapidly and we are no longer able to give our residents the same opportunities as our city friends.

Our schools often times do not have the same breadth of curriculum as urban areas because we don't have enough students to support certain classes, many of which are required for entry into college. Teachers are wary of moving in to our area because of the instability of the job itself and lack of curriculum support. We believe any rural development legislation must include programs and assistance for enhancing the quality of education for our rural population. These programs and assistance could take the form of satellite television programming, the use of fiber optic networking for educational programs or financial assistance and incentives for teachers to locate in the rural areas. Perhaps we could implement a program in each state wherein teaching graduates from state universities can receive defer or receive forgiveness of loans if

they agree to stay in Idaho or other states to teach in rural schools. Many of these solutions are embodied in the Rural Partnerships Act of 1989 passed by the U.S. Senate earlier this month.

Similarly, we are concerned about the availability and quality of medical care in our service areas. In many cases, rural hospitals and clinics are unable to attract physicians to small towns. Doctors are reluctant to locate and work in communities where the hospital and clinics are not equipped with modern, up-to-date, state of the art equipment. If we can't provide good hospitals, we can't attract good doctors and if we can't attract good doctors, we can't offer good medical facilities to our people. One way to remedy this intolerable situation is to provide funding for telecommunications links between rural hospitals and clinics with major metropolitan or teaching hospitals. Another alternative would be for the establishment of financial incentives for doctors to locate in rural areas. This issue, in particular, is critical for Rural America since it truly deals with life and death situations for people. Again, many of the solutions for rural health care are contained in the Rural Partnerships Act.

Water quality is another area of concern for those of us who live and work in Rural America. There are many instances where water quality in the rural areas cannot meet federal EPA water quality standards. And, in many of these situations, local officials can't raise enough money through taxes and levies to even begin to bring water quality in line with federal standards. Yet, people must have access to good water. We need both technical assistance and programs that can assist Rural America solve its water quality problems.

The final issue I want to touch on regards capital investment in Rural America. Assuming we can improve the infrastructure of our rural areas, we still oft[illegible]imes lack the capital that flows more towards urban America than the rural areas. Historically, private capital has been attracted to the rural areas only after the public sector has stepped forward to lend a helping hand. Rural Electrification is a prime example of how private capital followed public investment. I think we all know that rural electrification has played an extraordinary role in shaping the lifestyle in Rural America.

It is our position that a federal-sate-local partnership, such as that envisioned in the Rural Partnerships Act, will create an environment of cooperation among those entities that are interested in helping the rural areas grow and prosper. I want to make it clear that we are not seeking a federal handout for rural economic development. The programs envisioned in the Senate bill create revolving funds in many instances and

other programs sunset in a three to five year period. Rural people have a proud heritage of independence and another attractive aspect of our support for programs like the Senate bill stem from our desire to make sure that local communities and the state are required to make an investment in the rural economy through matching funds for these programs.

The cost of developing Rural America should actually be viewed as an investment rather than an expenditure. As contained in the Rural Partnerships Act, the programs for rural development would cost the Federal government about $300 million per fiscal year for about three years. We view that as a reasonable figure, one that will repay dividends to all of America in the long-term.

Mr. Chairman, I want to conclude my remarks by addressing some comments regarding the role of the Rural Electrification Administration (REA) and the electric and cooperatives in diversifying and revitalizing our service areas. We strongly believe that the rural electric cooperatives must play a pivotal role in these programs. We believe the track record of the rural electric systems in the Pacific Northwest speaks for itself. We've always gotten the job done and done well. And while other federal agencies may have some involvement in rural development programs, I think you'll find that the mechanism for assisting Rural America is much stronger in the rural electric cooperatives than anywhere else. In most instances the rural electric cooperatives have been serving their communities for 50 years. We live in those communities, we work in those communities and we are committed to the well-being of our member-owners through a better quality of life.

I can assure you that PNGC and its Members plan to take an active role in implementing any programs contained in a rural development bill passed by the Congress. I personally believe it is our duty and responsibility to work in the best interests of our consumers and communities to create opportunities for us and our children so they stay a part of the rural fabric of our society. To ignore the problems facing us would be a dereliction of our commitment to the cooperative philosophy and to those people who rely on us for leadership in this most important area.

Mr. Chairman, I again commend you and Congressman Stallings for holding these hearings and look forward to working closely with your Subcommittee in the days ahead to craft a rural development bill that assures our consumers of a brighter future.

TESTIMONY OF
George E. Mangan
General Manager, FALL RIVER REC,
Ashton, Idaho

Before the Special Meeting of the
HOUSE AGRICULTURE SUBCOMMITTEE ON
CONSERVATION, CREDIT AND RURAL DEVELOPMENT

August 22, 1989, Blackfoot, Idaho

Chairman English, Congressman Volkmer and Congressman Stallings. I am sure that our good friend and most capable member of Congress, Richard Stallings, has already welcomed you to Idaho. As General Manager of Fall River Rural Electric Cooperative, I wish to express the appreciation of our Cooperative and the over 21,000 citizens we serve with electricity, that you would have this special hearing, to hear of our concerns and needs.

Our Cooperative serves primarily the rural and isolated communities from West Yellowstone, Montana, southward to the outskirts of Ririe, Idaho, including the west side of the Grand Tetons in Wyoming. Our Cooperative encompasses some of the most scenic areas in the nation. Unfortunately, this beautiful area that Fall River serves, also includes some of the most economically distressed counties in the Country. (See Study of Appalachian Regional Commission)

Fall River's headquarters are located in Ashton, Idaho. Ashton is a prime example of what has been happening in our rural communities. Ashton once was an excellent small town commercial center. That commercial center is practically extinct. Other than

the farms, which each year get larger in size, and smaller in numbers, there is no economic opportunities for our youth and non-farmers. Each year more of the small farmers have to seek off-farm employment in order to survive. Their next step is to sell the farm and move. As a direct consequence, the small towns and surrounding areas are littered with vacant or abandoned homes. Our citizens are leaving the area of their personal preference to relocate in larger, urban areas where they have an opportunity to provide for their families.

The flight of the young, able and active citizens from the rural to the urban areas, leaves several voids. To name a few, there is the void of people, the void of a tax base, and the void of leadership. Each of these voids create more problems for those who remain behind. The results are that the infrastructure of our rural areas is either rapidly deteriorating or non-existent. After the local governments have taken care of the "bare necessities", funds for improved education, schools, recreational facilities, etc., are simply not available.

While what I and others have and can describe to you is nothing new to rural America, the fact is that the problem is intensifying. The truth is that it is time that a new direction and emphasis be given to rural America. I have reviewed the Senate's version of the Rural Partnership Act of 1989. While that Act can not possibly answer all of the problems of rural America, I personally find it to be an important step in the right

direction. If I were solely responsible for writing the legislation, I would undoubtedly strive to secure additional funds and change some of the language of the Senate bill. The same could probably be said for each of you, as well as others who have or will testify before you. Being a realist, and recognizing the realities of getting legislation passed, I would encourage this Subcommittee to recommend to the entire Committee and to the House, the adoption of the Senate bill or a very similar version. Rural America needs an affirmative action program NOW, and not some promised time in the future. Rural America has had enough promises. We need action, and the sooner the better.

I have had the opportunity to review the testimony of Mr. Bud Tracy, President of Pacific Northwest Generating Cooperative. Without trying to restate all that he has testified to, may I simply state that I am in full agreement with his testimony and the message he has given. Since he has adequately "plowed" certain general areas, I would like to turn to new thoughts and deal with some specifics.

Fall River has always been and is presently committed to the community it serves. Recently we at Fall River applied to REA for a $100,000 in grants and loan to assist one of our consumers to construct a small mill to process alfalfa into pellets for national distribution. Without going into all the details, the bottom line was that there simply was not enough funds available at REA for that project. That project would not only have provided

approximately 8 new off-farm jobs in the community, but would have assured a good stable market for alfalfa-growers in the area. I believe that project to be viable and worthwhile. What it needs is cash. I am personally aware of several other opportunities or projects that could be developed in our area, IF appropriate financing was available.

Most of the projects that I am presently aware of, which would locate in our service area, would not be large employers. As would be expected, the larger projects are looking for areas with existing infrastructure. Larger developers are very concerned about their employees. These developers want to locate in areas where they have: good schools; good water; good sewage disposal; good streets; good access; good medical facilities; good recreation; etc., and that they want all of those things NOW, and not at some future time. The small rural communities simply do not have the tax base to build that kind of infrastructure in hopes of attracting a developer. Rural America is caught in a catch 22 situation. There will be little change in that scenario until such time as rural areas throughout the country, have received the financial assistance they need in order to develop a good, sound and dependable infrastructure.

I do have some particular recommendations that I feel would be of great benefit to rural America and the area Fall River serves. While I do not have access to all the costs of the projects, I do have some estimates. Some of these projects may be

funded from other types of appropriations. I mention them because I feel them to be very important and critical to our areas. My suggestions are as follows:

1. ADMINISTERING RURAL SMALL BUSINESS LOANS AND GRANTS - While Farm Home and SBA are supposedly empowered to make loans for business development in rural areas, I don't feel they should handle the funds from this Act. Based on my experience as a practicing attorney for over 15 years in rural America, I do not personally consider either agency sufficiently attune to both the rural area and businesses that will succeed in a rural area, to be qualified to administer such a program. Other existing agencies, and especially REA, are much better positioned and experienced, to administer the type of business loans and grants that rural America needs. The government should utilize an existing agency which is experienced in dealing with rural America. It must know how to carefully and regularly audit and supervise what is being done with our tax dollars.

2. AVAILABILITY OF DEVELOPMENT FUNDS - There is a need for a large capital influx into our rural areas. The amount that is needed is probably not measured in 100's of millions, but rather in billions. This capital is needed by our local units of government as well as by private developers, cooperatives, etc. Some of the funds should be in the form of specific grants. Other funds should be made available as no-interest loans. The balance should be in low interest loans.

3. EXPANSION AND ENHANCEMENT OF EXISTING HIGHWAYS - Developers and consumers look for and expect good transportation systems. Fall River's service area has existing highways, train service, and ready access to the airport in Idaho Falls. The only weak link is the adequacy of our highways. For example, US Highway 20 between Idaho Falls and the Montana state line, is reported to be the heaviest traveled highway in Idaho. Presently there is a 4-lane highway from Idaho Falls to Chester, a community located 8 miles south of Ashton. The remaining 45 miles to the state line is only 2 lanes wide, with an occasional passing lane. This road is a both a safety hazard and a traffic nightmare, especially during the tourist season. US 20 should be widened to be a 4 lane highway to West Yellowstone, Montana. The total cost of such a project is estimated to be between 40 and 50 Million Dollars.

Other highway projects in the area are deserving of an infusion of federal funds so as to promote development. In particular, I would suggest the scenic roads highway to Mesa Falls, the highway accessing Driggs, Idaho, both from Idaho Falls and from Jackson Hole, Wyoming should be enlarged and improved. In addition, there is a vital need for an larger and safer access from Driggs to the Grand Targhee ski resort.

4. FOREST LANDS AND DEVELOPMENT OF THE TRAVEL AND TOURIST INDUSTRY - The growth and development of West Yellowstone as a prime tourist destination, has been stifled for years by the policies of the forest service. The entire community of West

Yellowstone is surrounded by Forest Service. As a result, the community has no place to grow. In Fremont County, Idaho, over 68% of the land is owned by the Federal Government. In fact 43.7% of the total county is situated within the boundaries of Targhee National Forest. This forest is accessed by US 20. Several ideal areas for tourist and travel development exist. In fact Ponds Lodge, a prime location for development, is built on a forest service lease. Ponds Lodge has the potential to be a number one tourist destination. However, because it is situated on forset lease land, the owners are reluctant to invest the funds that such a facility would require. It is time for the government to re-think its policy about forest lands. Certain prime areas, such as Ponds Lodge, and others that are situated on highways like US 20, ought to be sold by the Federal Government, and the funds used to assist in the economic development of the area.

5. NEW AND ENHANCED TOURIST DEVELOPMENTS - The litany of existing and possible tourist attractions in Fall River's service area is extensive. Without boring the committee, I would like to suggest one for your consideration.

Idaho is the only state that either touches or a portion of which is situated within the confines of Yellowstone Park, that does not have a direct access to the Park facilities. The original plans called for an entrance to be situated in Idaho, a few miles north-east of Ashton. Because of funding, that entrance was never developed.

For several years the Park service has been considering different ways to utilize the park, hoping to enhance its natural beauty, and minimize man-caused problems. Consideration has been given to several proposals. No final plan has been developed. I would suggest a possible proto-type. It would be useful for all national parks. The proposal would be enhance the existing road to either Cave or Mesa Falls. At that point facilities would be built outside of the park, and a mono-rail would be constructed to Old Faithful. This would provide one of the most spectacular views of the park, and yet minimize the problems caused by man.

I realize that it is time to bring this testimony to closure. I would stress that the need for the Rural Partnership Act is real. Its time has more than come. For generations rural America has exported its most important crop, its youth, to the urban areas. The urban areas have expanded to unforseen and unbelievable proportions. For generations the urban areas have enjoyed the fruits of the dollars that rural America invested in its youth. The quality of lifestyle in the urban areas is in jeopardy because of the large influx of people from the rural areas. Growth of the urban areas can not continue indefinitely without large additions to its infrastructures. Rather than perpetuating the endless and stifling urban sprawl, lets put some of the money that would be needed to let the urban areas continue to sprawl, into the infrastructure of rural America. By doing so, we can make rural America a place that can provide jobs and opportunities for those

who prefer to live there.

Mr. Chairman, it has been my honor to appear before this Subcommittee. We appreciate your presence, and the efforts of our friend and congressmen, Richard Stallings, for arranging this hearing. Please be assured that Fall River is most anxious to be of assistance to you on this Act and any other matter that effects rural America. Our members love this nation, and the area they have chosen to live in. Please help them to be able to stay there.

TESTIMONY

BY

LEONARD MAY, PRESIDENT

ROCKLAND TELEPHONE COMPANY

Honorable Chairman Glenn English, Congressman Richard Stallings, Subcommittee members and fellow citizens concerned about Rural Development, my name is Leonard May. I am the President of Rockland Telephone Company whose service area includes 324 telephone installations serving over 278 households and 46 businesses in a very rural part of southeastern Idaho. As with citizens in most sparsely populated communities, I serve on the School Board for the patrons of Rockland School District #382, serving 180 students K-12.

I am pleased you agreed to hold hearings away from Washington, D.C. on this most vital subject of Rural Economic Development. It is more than just slightly appropriate for you to come to Idaho, since "Idaho is the least metropolitan state with only about 20 percent of its residence in urban areas," the July 1989 U. S. Census Bureau reported.

> WASHINGTON (AP) - Two centuries after the United States was founded as a largely agricultural nation, nearly nine-tenths of the population growth is occurring in metropolitan areas, the Census Bureau reports.
>
> Almost half of all Americans reside in just 37 major urban areas, the bureau said Thursday in a new analysis of the patterns of growth. And the metropolitan share of the population is growing faster than that in rural areas.
>
> The "rural renaissance" reported in the 1970s when small towns and rural areas were growing seems to have ended, with increases in cities and suburbs now well in the lead.
>
> The census study found that about 86 percent of the nations population growth since 1980 has occurred in the 282 officially designated metropolitan areas across the country. That pattern represents a return to the metropolitan area dominance that has been common since the era of the Great Depression, the bureau reported.
>
> The analysis of 1987 figures found that nearly half of all Americans, 48.9 percent, reside in the 37 metro areas with populations of a million or more. (Source: Washington (AP) Idaho State Journal, Friday August 4, 1989, page 12, Section A)

Those growth patterns, if allowed to continue for the next decade, do not bode well for the future of the Rocklands (260 population), Blackfoots (10,080 population) or even Pocatellos (44,420 population) of America.

One program which contributed to the negative growth pattern in our area was the C.R.P. program. While it was a God-send to ailing farmers, it also effectively shut down nearly the only ball game in town. Unlike the Homestead Act, farmers are not required to stay on the land, so it is our intention to tap this new work force before they leave to join the city league and we have few fans left to visit an empty stadium.

Our efforts to establish a new ball game, like Telemarketing, have been difficult since community leaders lacked the time, resources and expertise to scout for prospective customers.

With our concern over rural development, we attended the U.S.D.A., R.E.A., N.R.E.C.A. sponsored conference held in Washington D.C. recently and were given a wealth of information about identification of resources, potential capital resources and utilization of these programs. These programs all take professional staff. The necessary professional staff is another commodity that many rural communities can't afford.

My written testimony fully outlines the economic conditions faced by the residents of Rockland (located in Power County, Idaho). I doubt we are much different than 2,000 other small rural areas when it comes to the description of our economic conditions (pages 3 through 8). My oral testimony will skip that information and focus on Rockland's Rural Economic Revitalization Plan, since it is in our plan for the future that this Subcommittee can most benefit (see pages 8 through 15) via your legislative initiative.

SUMMARY OF ROCKLAND'S ECONOMIC CONDITIONS

Rockland is one of two incorporated cities located in Power County, Idaho. American Falls is the county seat. Rockland is located 15 miles from American Falls. Rockland, total population of 290, has declined as the surrounding farm economy has gone through difficult economic times.

Declining farm incomes have resulted in a widely recognized farm credit "crisis" in Power County and other agricultural areas. In January 1988, 37.6% of all loans serviced by the Pocatello office (which serves Power County) of the Farmer's Home Administration were delinquent.

There are some important demographic conditions existing in Rockland and Power County that point the way to a sound economic revitalization strategy. For example, the age structure of Power County is drastically different than national norms.

Thirty-nine (39.9%) of Power County's 1980 population was under 20. That compares with 32.0% under 20 in the U.S. population. The population projections prepared for Power County indicate that, by the year 2000, that share will rise to 48.0%. If the projections are reasonably accurate, there will be around 1,090 more people in the 5 to 19 age group in 2000 than there were in 1980. This means a greater demand will be placed on Rockland's school system in the future and therefore, replacement of the physical plant is imperative. This is the first major component of services designed to promote jobs and economic activity in Rockland.

Elderly Population -- The population of the United States is aging. In 1980, 11.3% of all Americans were over 65. By the year 2000, that figure is expected to be 13%, and by 2020 it is projected to fall between 16% and 18%. Despite national trends, aging will not be a dominant theme in Power County in the near future. 8.0% of the County's 1980 population was over 65, but the population projections generated for this profile suggest that that share will drop to about 6.1% by 2000. The actual number of people over 65 will be more or less stable, at about 550. The "old old" (those 75 and over) made up 2.7% of Power County's population in 1980 and will account for about 2.4% in 2000. Table 1 shows that the elderly, however, tend to be concentrated in the County's two small cities (American Falls and Rockland).

TABLE 1 -- MEDIAN AGE AND PERCENT POPULATION OVER 65 YEARS OF AGE IN POWER COUNTY AND POWER COUNTY CITIES IN 1980

	Median Age	Percent over 65
United States	30.0	11.3%
Idaho	27.6	9.9%
Power County	26.7	8.0%
American Falls	27.9	9.7%
Rockland	27.9	17.0%

Source: U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population and Housing, Summary Characteristics for Governmental Units and Standard Metropolitan Statistical Areas: Idaho, Table 1 and USA Statistics in Brief.

Rockland exceeds the national average (11.3%) of the population 65 years of age or older. 17.0% of Rockland's population is 65 or older. This significant elderly population is the second major component of the services designed to promote jobs and economic activity in Rockland.

Household Numbers and Size - Households include both families and groups of unrelated people sharing living quarters. In 1980, there were 2,195 households in Power County, 1,251 of which were in the City of American Falls. Average household size for the County was 3.11. Average household size in Idaho was 2.85 and in the U.S. it was 2.75. The 1980 number and average size of households for Power County cities is shown in Table 7. 43.5% (954) of all Power County households were the "traditional" married-couple family with children at home. That compares with 35.8% in Idaho and 30.1% in the U.S. The two "bread winner" families with children become the third major demographic element to the necessary services designed in Rockland's economic revitalization efforts.

TABLE 2 -- NUMBER AND SIZE OF HOUSEHOLDS IN POWER COUNTY AND POWER COUNTY CITIES IN 1980

	Number of Households	Average Household Size
Power County	2,195	3.11
American Falls	1,251	2.88
Rockland	93	3.04

Source: U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population and Housing, summary Characteristics for Governmental Units and Standard Metropolitan Statistical Areas: Idaho, Table 1.

TABLE 3 -- PERCENT OF PERSONS WITH INCOMES BELOW THE POVERTY LEVEL IN POWER COUNTY AND POWER COUNTY CITIES IN 1980

United States - 13.0% Idaho - 12.6%

Power County - 13.9% American Falls - 8.6%

Rockland - 33.2%

Source: U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population and Housing. Summary Characteristics for Government Units and Standard Metropolitan Statistical Areas: Idaho, Table 1 and USA Statistics in Brief.

Low and Moderate Income Persons - A concept related to poverty that is used in determining eligibility for community development block grants is the presence of low and moderate income persons. Moderate income persons live in households having a income that is 80% or less of the local median household income. Low income persons live in households with an income that is 50% or less of the local median household income. Table 4 shows the percentage of low and moderate income persons in Power County in 1980.

TABLE 4 -- PERCENT OF LOW AND MODERATE INCOME PERSONS IN POWER COUNTY AND POWER COUNTY CITIES IN 1980

Power County - 37.2% American Falls 0 34.3%

Rockland - 53.9%

Source: 1980 Census of Population, Summary Tape File 3, provided by Idaho Department of Commerce.

Rockland's LMI population constitutes about 54% of the city's total population. The 54% is the basis for the grant amount from REA.

TABLE 5 -- 1988 UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)

	Power County	Idaho	U.S.
1988 Annual Average Unemployment Rate	9.3%	6.2%	5.5%
Latest Monthly Unemployment Rate (April,1989)	7.8%	4.9%	5.3%

TABLE 6 -- PER CAPITA INCOME DATA

	Power County(1)	Idaho(2)	U.S.(2)
1988	$8,010	$12,657	$16,444

(1) Source: U.S. Department of Commerce, Economic Development Administration, December 1988.
(2) Source: Idaho Department of Employment "Idaho Employment (May 1989) Vol. 1 No. 4.

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b. Describe the needs of the LMI persons:

The most pressing need for the elderly in Rockland is property tax relief. The only hope for property tax relief in Rockland is a diversified economy that comes with effective economic development. Housing, while an asset for most older people, represents a serious burden for the elderly in Rockland. For older homeowners who do not have to budget for a mortgage or rental payments, or who can sell their homes at a profit, housing can be an asset. However, for many elderly persons who own older homes, the cost of utilities, real estate taxes, insurance, repair and maintenance can be prohibitive. And, for renters or owners with a mortgage, monthly payments can be a substantial burden.

Housing costs vary dramatically depending on home ownership status and age. The percentage of income spent on housing (excluding maintenance and repairs) in 1983 was higher for older households than for younger households: among homeowners without a mortgage (15 vs. 10 percent), homeowners with a mortgage (24 vs. 20 percent), and renters (32 vs. 28 percent) (Table 7). Housing costs, as defined in this section, include gross rent or mortgage, real estate taxes and insurance for owners, and basic utility costs for all owners and renters if such fees are not included in their rent.

This trend becomes stronger with increasing age. For 75-plus householders in 1983, housing expenses for renters and owners with a mortgage were 33 and 29 percent of income, respectively, as compared to 17 percent for owners without a mortgage.

TABLE - 7 - HOUSING COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME, BY AGE OF HOUSEHOLDER, TENURE, AND MORTGAGE STATUS: 1983

Tenure and Mortgage Status	Age of Householder				
	Under 65	65+			
		Total	65-69	70-74	75+
Owned, without mortgage	9.9%	15.3%	13.5%	15.4%	17.2%
Owned, with mortgage	19.8%	24.3%	22.7%	24.4%	28.6%
Rented	27.9%	32.2%	31.2%	31.3%	33.3%

Source: U.S. Bureau of the Census "Financial Characteristics of the Housing Inventory for the United States and Regions: 1983." Current Housing Reports Series H-150-83, Annual Housing Survey: 1983, Part C (December 1984) and unpublished data.

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Table 8 (below) provides ample evidence that property taxes for Rockland's LMI population - (53.9% entire city) - need to be lowered or at least stabilized. Rockland's LMI population are mostly senior citizens living on fixed incomes who are struggling to maintain their own homes. Property taxes play a significant cost to the elderly in that struggle to maintain their own independence. The average urban rate in Power County for 1988 was 2.0326 (this included Rockland), while the state's overall average urban rate was 1.8857. (Source: 1988 Annual Report of the Idaho State Tax Commission, p. 15)

TABLE 8 - 1988 AVERAGE PROPERTY TAX RATES

	Actual Tax Rate $	
	Average Urban	Average Rural
Power County	2.0325*	1.2747
Ada County	1.8624	1.5901
Idaho	1.8857	1.3134

* Includes Rockland

Rockland's Rural Economic Revitalization Plan

The Rockland Telephone Company proposes to enter into a joint economic development venture with U.S. West to extend a state-of-the-art telecommunications network to Rockland and surrounding rural areas.

Rural America generally does not have and may not be getting the technical information structure required for full participation in the information age. The information era is based upon dramatic improvements in computers and telecommunications, the marriage of which is commonly referred to as tele-matics. Tele-matics enhance our ability to identify, sort, retrieve, create, transmit, and apply information.

When a highway bridge fails, the event and consequences are visible. The ground-breaking and ribbon-cutting for the new bridge will be covered by the media. In contrast, the breakdown or delay in construction of telephone and information services is not open to public view. One of the most worrisome issues now facing rural development efforts is that the tele-matics infrastructure of rural America will invisibly deteriorate while that of urban America is modernized for the information age.

A decade or so from now, we may find that rural America lacks infrastructure for development. The economic future of rural America may be thwarted simply by benign neglect.

To insure the economic viability of this part of rural Idaho, the Rockland Telephone Company proposes the community enter into a four-way partnership for economic development.

The four partners are the following:

(1) U.S. West

(2) Rockland Telephone Company

(3) Rockland Public School

(4) Idaho State University (See attached letter dated June 13, 1989 for description of capabilities.)

U.S. West contribution is two fold:

1. granting permission for Rockland Telephone Company to hook-up to its fiber-optic system at the Pocatello, Idaho point of contact.

2. granting a contribution of $530,500 for assistance in building and equipping Rockland's Community Economic Development Center which is to be co-located with Rockland's new $1 million public educational facility. (See attached budget.)

Rockland Telephone Company's contribution is $150,000 to lay 25 miles of fiber-optic line between Rockland and Pocatello via Arbon Valley.

Rockland School District's contribution is $1 million. This will provide a totally redesigned K-12 facility which will have each classroom constructed with advanced telecommunication links in place along with employment facilitating services designed into the total campus concept.

Idaho State University's contribution will be to supply both (1) adult education distance learning opportunities to Rockland, and (2) support services of its Business Technology Center via distance learning opportunities to the small business incubator individuals.

Demonstration Projects

There is nothing inherent about answering 800 numbers, processing medical records and insurance claims, or utilizing computer-assisted manufacturing techniques that require these activities to be done only in metropolitan centers. There are many examples of companies and people learning to telecommunicate from a home work station to a central office.

For example, J.C. Penney, Co. has 126 telephone order takers working at home in five cities. According to the Census Bureau, 15,000 workers at 350 U.S. companies work with computers at home-based clerical jobs. However, most jobs of this nature appear to be located in urban areas.

In theory, the development of traditional back office jobs can be located wherever telecommunication systems are adequate. However, transfer of such jobs to rural areas requires new ways of thinking by both businesses and communities. Demonstration projects are needed to explore this concept further, and Rockland Telephone Company and U.S. West should be the first of these demonstration projects called for by the Northwest Policy Center, University of Washington, Graduate School of Public Affairs 1989: Options for Rural Communities.

U.S. WEST'S FINANCIAL CONTRIBUTION

- Rockland's Economic Development Center -

Construction Costs:	
. Media Center	$120,000
. Training and Public Meeting Rooms	$205,500
Equipment Costs:	
. Compressed Video via Fiber Optics	
(a) ISU	$80,000
(b) Rockland	$80,000
. 40 Hr/Week Adult Education via ISU (7/1/89 Starting Date)	
(a) ISU/AV Department	-0-
(b) Rockland	$20,000
(c) ISU/Incubator Building	$20,000
. Satellite Receiving Dish	
(a) ISU	-0-
(b) Rockland	$5,000
TOTAL - U.S. WEST	$530,500

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SUMMARY

U.S. West Communications	$ 530,500
Rockland Telephone Company	$ 150,000
Rockland School District	$1,000,000
Total Project	$1,680,500

- STRATEGIC PLAN -

ROCKLAND'S RURAL COMMUNITY ECONOMIC REVITALIZATION PLAN

Basic Assumptions About What Constitutes Effective Rural Economic Development:

1. Reconceptualization of existing public school facilities and programs needs to occur.

2. Redirection of existing capital resources needs to occur.

3. Reconstituting New partnership - many actors coming together through a variety of strategic mechanism - partnerships between sometimes conflicting actors in the economy needs to occur.

4. Reaching into rural areas of Telematics infrastructure (e.g. distortion free fiber optic cable, digital switching, adequate trunkline capacity, open network architecture and system reliability) needs to occur.

Goal:

To demonstrate the viability of 1) extending fiber optic telecommunications and, 2) anchoring employment and facilitating services around a town's public school facility as a method for generating home-based jobs and attracting manufacturing to a small rural community.

Objective and Strategies:

1. To improve the ability of local public policy officials who serve only part-time to direct their own economic revitalization efforts.

2. To establish a facility with state-of-the-art telecommunications that will give Rockland the capacity to direct its own long-term economic future.

3. To create a focal point for community support systems and service delivery that will enable the full range of resources that exist in a state's elementary, secondary and vocational education system to promote rural economic development.

4. To maximize scarce federal funds currently available in State guided pass-through programs to promote job creation.

(i.e., nutrition funding programs for the elderly, vocational funding for new start-ups, rent subsidies for low income elderly, summer youth training funds through JTPA, Older Worker Title V employment funds and others.)

5. To create a model that can be replicated in the U.S. by thousands of other rural towns which are from 200 to 1,000 in population.

6. To facilitate information development and dissemination of the success of the small town "shopping mall" approach to economic revitalization.

7. To retain 30 jobs in the school and create 20 new direct and 10 indirect jobs by constructing a new school building with employment facilitating services, bundled effectively in one location.

8. To create 50 new home-based jobs by tying Rockland's Telephone Company with fiber optic cable into U. S. West's fiber optic system.

GENERAL PROJECT DESCRIPTION

Viable strategies for developing jobs in rural American are in short supply. The Rockland Telephone Company, Inc. is hereby proposing to link the local school (K-12) into a cooperative economic venture with Rockland's city government, U. S. West Communications and Idaho State University.

The plan proposes to adopt the "shopping mall" design in stimulating rural job creation. Today's successful shopping malls have the following two basic principles:

1) Multiple retail outlets conveniently clustered, and

2) At least one major anchor store to help draw traffic for the other outlets

In Rockland's case the need for a new school facility (see attachment letter establishing a Lease/Purchase financing) will be utilized as an opportunity. The need for a new building to educate the community's children K-12 will allow for the "shopping mall" technique to be designed into the new facility. The community's only school serving 184 students with its gymnasium and cafeteria will serve as the "anchor store" to cluster the following employment facilitating activities:

1. Child Day Care Facility - This will facilitate two adult households with children to be employed in a food processing industry in American Falls 15 miles away as well as single parent families.

2. Adult Day Care Facility - This will facilitate the development of cottage or home-based employment and provide care of aging parents or grandparents.

3. Retirement Home Facility - This will stabilize the population of Rockland by providing its older residents alternative housing that can now only be acquired by moving out of town.

4. Community Center - This will be a facility which can be used for summer recreation programs for youth, year-round Senior Center sponsored nutrition programs for the elderly, and community events.

5. Latch key and Respite Programs - The typical 8-5 work shift can only be accommodated by working mothers if reliable after school organized/supervised child care is available. Limited intermittent, short-term care of aging parents may also be necessary.

6. Media Center/Training Facility - To continue to combine the school's library with the Rockland Public Library will expand the capabilities of both and further strengthen the draw of the community to the anchor facility which is the school. Small Business Incubator support tied to ISU's Business and Technology Center.

7. Community Economic Development Center - To provide a jointly used facility for public meetings of the local public policy setting bodies (e.g. School Board/City Council and Rural Economic Development Association).

8. Emergency Medical Facility - The housing of the city ambulance and volunteer fire trucks will also upgrade the city's availability to attract industry.

The end result of the clustering of multiple activities around the newly designed school facilities will be to save 30 jobs in the school system, generate 20 new jobs in staffing the new services that are not now available to the community and to generate 50 in-home jobs because of the fiber optic telecommunication link between Rockland Telephone Company and U. S. West Communications.

RECOMMENDATIONS:

To help this effort's success in Rockland, it is critical that Congress see it's way clear to incorporate into it's legislation a federal delivery system used to working with Rural America (e.g. the Rural Electrical Administration of the U. S. Department of Agriculture).

Secondly, it is important to keep any local matching requirements to a bare minimum, (hopefully zero).

Thirdly, make eligible for loans, existing entities who have Revolving Loan Funds capitalized by other federal programs (e.g. EDA and CDBG). This will ensure effective administration of the funds without duplicating existing administrative capacity.

Fourthly, Rockland would like to be chosen for any demonstration project funded as part of this legislation.

(Attachments follow:)

Prudential-Bache Capital Funding

Steven H. Bell
Vice President
Public Finance Department

June 20, 1989

Mr. Cloyd E. Barker, Superintendent
P.O. Box 119
Rockland School District #382
Rockland, ID 83271

Dear Mr. Barker:

On behalf of Prudential-Bache Capital Funding, I am appreciative of the opportunity to discuss with you and the Board the concept of lease purchase financing. In consideration of the District's facility needs, this concept may be applicable as a viable financing alternative for the District.

Based upon our discussion, our firm would be willing to participate in the structuring and sale of certificates of participation on behalf of the District. Be advised that our participation is based upon mutually agreeable terms and conditions approved by the Board of Education and our firm. We have not set forth, as of this date, any such terms and conditions relating to the financing.

As requested by the Board, I have asked Mr. Rick Skinner, bond counsel with the law firm of Skinner, Faucett and Maulk, to provide legal reference to lease purchase financing. I will forward upon receipt my written communications from Mr. Skinner illustrating the statutory authority for the District to enter into such a financing arrangement. As you know, many political subdivisions of the State of Idaho have successfully used lease purchase financing for quite some time.

Upon further review should the Board determine to proceed with further preparation and analysis, please advise us of such a decision and we would be pleased to proceed. I look forward to the opportunity to work with the Rockland School District Board and Staff in the future.

Very Truly Yours,

PRUDENTIAL-BACHE CAPITAL FUNDING

Steven H. Bell
Vice President

CC: Scott McDonald

370 17th Street, 39th Floor, Denver, CO 80202-5639
Telephone 303-592-5971 COLO WATS 1-800-582-3448

Rockland School District No. 382
IN COUNTY OF POWER
POST OFFICE BOX 119
ROCKLAND, IDAHO 83271
208/548-2231

June 27, 1989

Steven H. Bell
Vice-President
Prudential-Bache Capital Funding
370 17th Street, 39th Floor
Denver, Colorado 80202-5639

Dear Mr. Bell:

It was a pleasure meeting with you at your regular scheduled School Board Meeting on June 14, 1989. Your comments were most helpful and your follow-up (June 20, 1989) to our request of additional information was very timely.

The Board unanimously voted to approve pursuing a lease purchase of $1,000,000 for the basic school facility (e.g. School Administration Area, Elementary School and Junior and Senior High School). You are hereby requested to provide current quotes as to rates for a 20 year term.

Should the district be successful in acquiring other sources of grant funds to construct the additional components necessary to make school facility become the driving force for Rockland's Rural Economic Revitalization plan, then we will direct you to draw-up a mutually acceptable contract. At that point we would ask you to structure the sale of certificate of participation on behalf of the District in the amount of $1,000,000 plus the first years annual prepayment.

Sincerely,

Cloyd E. Barker

Cloyd E. Barker
Superintendent
Rockland School District #382

CEB/jc

cc: Scott B. McDonald

TESTIMONY

OF

BONNIE MCCLELLAN

MEMBER, ETHANOL MARKETING, INC.,
IDAHO ETHANOL-HOPPER COMMITTEE, AND
WOMEN INVOLVED IN FARM ECONOMICS

Mr. Chairman, Members of the Committee. I'm Bonnie McClellan. I'm here to speak on behalf of the Idaho Ethanol Marketing, Inc., a member of the Idaho Ethanol-Hopper Committee, a member of Women Involved in Farm Economics (WIFE), and most importantly as an Idaho potato and grain farmer's wife.

We as farmers need to have more direct input into the Farm Bills in order to bring stability to our rural communities. We need to establish flexibility in our farms and be able to produce a commodity that will enable the United States to become solely an independent country. When we took 20 per cent of our lands out of production we lost 20 per cent of our rural businesses.

Idaho has two Ethanol producing plants in operation at the present time. The consumer demands far exceeds the rate of production. Ethanol is a vital product to our state. Gov. Andrus is behind the use of Ethanol in the State of Idaho. He was the first governor to make a mandate for the use of Ethanol in state run vehicles. The Ethanol plants we have use potato waste for distilling. I would like to see a grain Ethanol plant built in Idaho. There are many benefits to a grain Ethanol plant.

First, demand for grain increases. A solution to that problem is to put the set aside and CRP programs back into grain production

for the use of Ethanol. Instead of subsidizing the farmers through set asides and CRP programs subsidize them through Ethanol production which in turn will mean more Ethanol plants. Plants which could be constructed in or near smaller communities.

Second, the communities would see a growth in the job opportunities. The need for contractors and laborers during the construction and life of the plant would make more jobs available for the town people and also we could keep our children on the family farms instead of them migrating to less satisfying jobs in urban areas.

Third, spreading of our taxes. When we lose a business in our community our government agencies do not reduce our taxes but increase them to make up for the lost of the taxes. With more Ethanol plants we could see our taxes reduced.

And finally, by using Distiller's Dried Grains (DDG) a co-product of Ethanol we could help feed the hunger of the Third World. When using grain for Ethanol only starch is used. Protein and all the vital nutrients are left. We can teach the Third World how to implement DDG into their diets. We can also use DDG in our own country. A good example of this would be at the food kitchens or when there is an area declared a disaster we could give them a stable product when mixed with any form of food

becomes a nutritious meal. As a member of WIFB, I feel that we could have a market for DDG as a food-enhancer without taking away the feed stock market.

It has been shown historically, that the best rural development tool available is a viable and expanding agricultural sector. By expanding Ethanol production, commodity prices rise, which in turn provides more dollars being spent in rural areas. When farmers benefit, so do rural banks, rural supermarkets, rural doctors and lawyers, and all of rural Main Street.

Idaho is proud to be the leader in the mandates that our governor has made. With Congressional help in the form of extending the 60 cent Federal Ethanol Exemption to the year 2000, with your encouragement to grant the 60 cent Federal blenders tax credit to Ethyl Tertiary-Butyl Ether or ETBE, and with the Presidents Clean Air Act, Congress can go a long way in providing much-needed rural economic assistance.

In conclusion Mr. Chairman, the costs of doing something will, in the long run, be far less expensive and we will have a product that the United States can be proud of.

Mr. Chairman, I thank you and I would certainly be willing to answer any questions at this time.

STATEMENT OF
RICHARD D. WESTERBERG

Idaho Region Manager for
Utah Power & Light Company
Before the
Subcommittee on Conservation, Credit and Rural Development
of the Committee on Agriculture
United States House of Representatives
Blackfoot, Idaho
August 22, 1989

Chairman English and Congressman Stallings, my name is Richard D. Westerberg, Idaho Region Manager for Utah Power & Light Company, and I am pleased to welcome you to one of the counties in Idaho where we are a major provider of electric service.

The subject of your hearing today, Rural Economic Development, is not a new one in our service territory. We at UP&L are very proud of the recognition which our Company has received over the years for the work it has done to enhance the quality of life in rural areas. Since the recent merger of UP&L with PacifiCorp, our economic development activities have been further accelerated. Attached is a sampling of projects in which UP&L and our associate company, Pacific Power & Light, have been involved recently. I will not take the time of the Committee now to read that attachment. I hope that you will review it later.

UP&L covers an area of 90,000 square miles. At the end of 1988, we were serving about 530,000 customers in Utah, southeast Idaho and southwest Wyoming.

In Utah we provide service to 157 cities and towns. Only nine of those have populations over 20,000. (Congress has recently considered communities of less than 20,000 to be rural.)

In our Idaho service territory, which is all within the Congressional District of Rep. Stallings, we provide power to 42 cities and towns, all of which have populations less than 20,000.

The same is true in Wyoming where we serve nine cities and towns, all with populations much less than 20,000.

We point to these statistics so that you will understand that rural problems are a major concern of our Company. The only heavily urban area in our system is the "Wasatch Front" around Salt Lake City.

UP&L has a department of eight men and women who devote full time to the promotion of economic development, mostly in small communities such as those where projects like the ones described in the attachment hereto are conducted. Other departments stand ready to assist them in any way possible.

In addition, the Company has asked each Region and District Manager to devote at least 50 percent of his or her time to work that will help attract businesses to locate in their areas or will result in the expansion of existing businesses.

Sessions are set up regularly by our Economic Development Department in communities throughout the area to

which all interested parties are invited. Elected officials, civic club leaders, bankers and others sit down together to discuss ways to increase employment and improve living conditions through economic development. UP&L does not attempt to direct the outcome of those sessions but we do try to facilitate progress because obviously any success achieved benefits the Company along with everyone else.

UP&L has a special program for working with schools, grade school through college, to convey the importance of economic development and to assist with the economic education of our future business and community leaders.

Now to the point of this hearing. As you know, both houses of Congress have been considering ways to promote rural economic development. UP&L strongly supports these efforts but we find serious problems in the approach taken by the Senate with their passage of S.1036. We hope that you in the House of Representatives will take our thoughts into account as you begin to craft your own legislation.

The Senate bill is intended to make it easier for rural businesses <u>which are served by rural electric cooperatives</u> to get credit, expand federal programs for sewer and water and authorize loans and grants to help rural schools, hospitals and other infrastructure projects. We believe that it is wrong to limit such assistance to only those who happen to live in the relatively small areas where electric power service is delivered by rural electric coops.

We believe that in any new initiative, funds for economic development must be available to all rural communities and business entities, not just those served by a certain segment of our industry. Rural development requires full participation in all needy rural areas. We also believe that any additional financial resources committed to rural development must be leveraged with private sector assistance, unencumbered by a new bureaucracy.

We suggest that a flexible program be used by Congress in the design of any rural development program. It is important for all utilities, investor-owned, municipal and rural coops, and all other groups capable of providing assistance to work with local rural communities in their development efforts.

We strongly believe that investor-owned utilities and other entities should be included among any list of organizations eligible to administer revolving funds. Our inclusion makes good sense since we generally have widely representative boards of directors, a long-term commitment to development and excellent relations with lending institutions that are capable of providing matching funds and close working relationships with regional, state, county and local governments.

Investor-owned utilities should not be forced to create independent non-profit corporations to administer revolving funds as called for in the Senate passed S.1036. There appears to be

no convincing reason why entities like investor-owned utilities that have been so much a part of the nation's rural development efforts should have to reorganize to be considered for participation in a rural development initiative.

Whenever possible, existing programs or agencies should be used to meet the pressing needs of rural areas. New bureaucracies and duplicative programs are, by definition, wasteful and unnecessary. Those agencies already able to provide this kind of assistance should be the ones to receive any additional available funds earmarked for rural areas. For example, we believe it is inappropriate to shift any infrastructure programs to REA. FmHA, SBA and EPA, among others, have existing programs that may need to be modified to accomodate the purposes of rural communities but any shift to an agency with limited client base, such as REA, is inappropriate.

At UP&L, we care deeply about the communities in our service area. Not just because an improvement in their welfare means an improvement in the welfare of the Company, but because we live and work in those communities and we believe that the residents of cities and towns which we serve should have the same assistance that is available to anyone else.

What we have said here is not meant to discourage your support for rural economic development legislation, but we do urge that you make sure that any such bill be written to

accommodate the needs of residents in rural areas served by investor-owned electric companies, as well as those who are served by other forms of utility ownership.

Thank you.

(Attachment follows:)

UTAH POWER & LIGHT/PACIFIC POWER & LIGHT

RURAL ECONOMIC DEVELOPMENT PROJECTS

Anheuser Busch

Anheuser Busch recently located a malting facility and grain elevators in the Southeast Idaho area. UP&L/PP&L provided site location information and alternatives on behalf of communities in Southeast Idaho.

Derringer Aircraft

Derringer Aircraft is a small aircraft manufacturer that is looking at locating a production facility in Preston, Idaho. UP&L/PP&L is currently involved in using its financial network to bring Derringer Aircraft together with possible financial resources. The process is presently ongoing.

RTC-Gold Label Ballast

RTC-Gold Label Ballast is an electronic lighting products firm located in Preston that would like to expand its operations there. UP&L/PP&L is currently working to help RTC identify potential sources of funding for its expansion.

General Kinetics

General Kinetics is a firm that was recruited and assisted through the Cache Valley Idaho Development Corporation. UP&L's local district manager is the president of that organization and as such played a vital role in its activities.

Morton Metalcraft Company

Morton Metalcraft Company of Cedar City, Utah, was founded in 1974 by an Illinois company of the same name. The company's major market has been the computer and gaming industry in Nevada, Utah, Arizona and southern California.

Morton intended to shut down the metal fabrication plant in Cedar City due to the decline in business of Hallmark Cards, a related industry, as well as the geographic distance from the Illinois office and their inability to retain qualified senior management in Cedar City. Utah Power assisted in bringing in David Grant, a successful entrepreneur, to form MTI which purchased the existing plant and expanded the metal fabrication operations.

Pacific Power, through Pacific Investment Enterprises, extended credit enhancement for Morton Metalcraft to be purchased by MTI and continue operations in Cedar City. The credit assistance provided by Pacific was necessary for MTI to obtain $1.5 million in financing from First Security Bank of Utah, the Small Business Administration, the Five-County Revolving Loan Fund and the Farmers Home Administration. Employment is projected to increase from 52 to 90 jobs within three years.

Goer Manufacturing

This company produces store fixtures and showcases typical of those found in major, high-quality department stores and chains such as K-Mart and Fred Myer. Goer decided to

BLACK HILLS SPECIAL SERVICES COOPERATIVE
RURAL COMMUNITY DEVELOPMENT
STURGIS, SOUTH DAKOTA

Proposal For Involving The Schools In Rural Development

House Agriculture Subcommittee on Conservation, Credit and Rural Development Hearings

Blackfoot, Idaho - August 22, 1989

Introduction:

The Black Hills Special Services Cooperative initiated a Rural School and Community Development project in 1988. This project was a Federally funded project conducted by Mid-Continent Regional Educational Laboratory (McREL) and coordinated by the Cooperative in six (6) school/community sites in South Dakota. Our experiences in this project has confirmed to us that working with schools alone is not sufficient. The quality of education, the health of rural communities, and the economy supporting these communities are all highly interdependent. Proposals and funding designed to assist rural communities, if they are to be successful, must deal with interventions that holistically address all three dimensions of rural society: (education, business and community).

This proposal discusses the setting and activities of this highly visible and successful project and successful future authorizations in FY 91 to support efforts of the Regional Laboratories in piloting and providing linkages which can creatively conceive new concepts of Rural School Community Development.

Schools, A Resource in Every Community:

Rural schools are ubiquitous. All rural communities are served by a public school system. Consolidation has already removed schools from some rural areas. However, as population shifts have taken place, school district boundaries more than any other single factor have tended to define community. Rural schools and rural communities share common problems. A vicious cycle occurs in rural communities experiencing economic troubles; as people leave chasing rumors of jobs available elsewhere, school enrollment declines, budgets become tighter with devaluation of the property tax base from which a major part of the school budget is generated. Quality communities are required for there to be quality schools. The reverse is also true. Quality schools are a necessary ingredient of quality communities. The public school is an overlooked potential resource for rural development, requiring only an evolution in its mission and modus operandi. The 6 pilot schools are located in communities that have populations of 500 to 4800 people.

The overall purpose of the South Dakota project was twofold:

1. To improve educational opportunities for rural youth;
2. To improve the economic health of the community.

Project activities included assisting 6 pilot schools to accomplish one or more of the following:

1. **Redefining the Mission of the School**

This involved expanding each school's mission to address the economic needs of the community and revise the curriculum so that students are prepared to remain in the community of they choose. Meetings were held involving community leaders to introduce the concept o redesigning the curriculum to include entrepreneurship training and involving the school in rural community development. Schools interested in pursuing this concept provided consultant assistance in establishing a community-wide Development Advisory Council to advise the work of the project and keep the community informed.

The old rural school curriculum did a better job of preparing students to leave the community than to stay; it was designed to teach students how to find jobs, not create jobs. Small businesses, not large industries are the backbone of the nation's economy and particularly the communities of South Dakota.

Entrepreneurial or free enterprise curriculum that is evolving in these pilot schools will provide students with skills to start their own small businesses, particularly if the wish to remain in rural communities. Project consultants continue to assist schools in redesigning curriculum to include entrepreneurship training.

2. **Involving the School in Community Planning**

These small rural communities do not have the planning capacity needed to address future needs since they do not have planning offices or the planning expertise that is available to their urban counterparts. With training and some assistance, many of the planning functions needed for communities have been carried out as a part of the

educational program of the local school.

The project has helped select teachers to work with their students in conducting economic base studies and "consumer needs" surveys. These reports have been made available to the community leadership and other interested parties for future planning and decision making.

3. **Developing Small Business Plans**

Small businesses often fail because of a lack of adequate planning. Individuals, particularly in rural areas, do not have access to the expertise to determine the viability of possible small businesses.

Selected teachers were trained first, so they in turn then assisted their students and interested adults, in developing such plans. Activities included planning for market analysis, capitalization needs, securing adequate facilities and equipment, organizing the work setting, organizing the work force. The student business plans were reviewed by the local Development Advisory Council which consisted of a school official, community businessperson, city official, and student representative.

4. **Developing and Incubating Small Businesses**

New businesses are most vulnerable during the first years of operation. In most cases the small businesses created by the Community Development Project were created with the shelter and support which the school could provide. The Development Advisory Council makes decisions about which businesses will be developed with the assistance from the school. Care has been taken so that school-based enterprises do not compete unfairly with other businesses in the community.

5. **Developing Risk Capital**

Risk capital for the initiation of new small business was initially hard to obtain, particularly in rural communities where dislocations in the economy have taken a toll. With the assistance of a new State concept, supported by the Governor and key state leaders, businesses were eligible to apply for guaranteed loans and as the community development activities took shape and actual business plans were developed, this source of risk capital could be tapped by these school-based enterprises.

6. **Spinning Off the School-Based Enterprises**

The Rural School and Community Development Project has two goals: First, it provided a way to improve and expand the learning opportunities for students attending rural schools. Second, rural schools contribute to the economic health of the community through the creation of new businesses and job opportunities. Since most of the learning for students takes place through the process of creating a new business, businesses that have become established need to be spun out of the school setting to make room for other efforts. In addition, true economic gains for the community will come when the business is operating in the real world.

PARTICIPATING INSTITUTIONS:

The first project year included six schools in the West River area of South Dakota. The pilot schools were:

Lyman	Belle Fourche	Harding County
Edgemont	Hot Springs	Custer

Plans are already in place to expand to East River area schools as well as interest now being expressed by bordering North Dakota and Nebraska schools for technical assistance

to initiate the concepts in their school/community.

A state-wide steering committee was organized to provide overall advice and coordination with other South Dakota economic development activities. Black Hills State College, South Dakota State University, University of South Dakota, selected business and political leaders, the Department of Education, Department of Agriculture and the Governor's Office of Economic Development serve on the **state-wide steering committee.** The Project has coordinated and shared information with other agencies such as Higher Education, Economic Development, Research, as well as Department of Agriculture projects.

Even with the successes of this project the reality of the rural situations and the continued need to recognize the schools as a major resource in rural development is evident. Many small South Dakota towns will survive into the 21st century only if they develop effective long term economic plans now. Since young people are the future of any community, it is natural that schools assume major roles in the planning process.

This project has initiated activities in this direction in only six public schools in South Dakota. What about the (7) seven Reservations with schools/communities that are experiencing between 50-70% dropout rate and 60-80% unemployment. Despite efforts for community involvement the schools and facilities are virtually locked after the school day to the Native American community. A college prep curriculum exists in these schools that sees about 4% of the total student enrollment attend college with 1% obtaining college degrees. Only a portion of this 1% return to the reservation because of the few choices/opportunities open to them. A new concept is needed here, a new interaction with the schools and communities, a new linkage with human and material resources. This area could also be part of a proposed strategy

that brings together the resources of (1) the land grant institutions, (2) the public schools in local communities and (3) the Regional Educational laboratories to address issues of rural community and economic development. The School of Agriculture in land grant universities has community planners, sociologists and economists. The public schools have human resources, teachers and students, as well as financial resources which, if redirected, could be used to contribute to the health of rural communities while at the same time resulting in improved education for students. The Regional Labs have expertise gained from development work, and because they serve as third party neutrals, have the ability to provide linkages, access resources, and orchestrate those resources in new configurations.

There is a need to support rural legislation, appropriations, and pilot programs in each of the Regional Laboratory regions that bring public schools into active partnerships with other community development agencies. This will be a major step in assuring that our small towns will survive into the 21st century.

One more specific Regional Plan is proposing that an authorization of 12.5 million be made available for FY 91 to support pilot programs in each of the Regional Laboratory regions. Each pilot will involve a Land Grant institution, a cluster of rural communities, and a Regional Educational Laboratory. The monies for each pilot would be allocated with approximately 1/3 of the funds going to the university, 1/3 to the local communities and 1/3 to the Regional Laboratories. Five percent of the funds for each of the pilots would be set aside for independent evaluation and planning for expanded implementation. We in South Dakota would actively support and provide leadership in such a program.

TESTIMONY OF CRATERS OF THE MOON DEVELOPMENT CORPORATION

GLEN ALLEN, CHAIRMAN

301 SCOTT AVE

RUPERT, IDAHO 83350

(208) 436-9311

(208) 436-4146

FIELD HEARINGS

HOUSE AGRICULTURE COMMITTEE ON

CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

CHAIRMAN ENGLISH, CONGRESSMAN STALLINGS, AND COMMITTEE MEMBERS,
I APPRECIATE THE OPPORTUNITY PRESENTED HERE TODAY TO TESTIFY BEFORE THIS COMMITTEE. I AM GOING TO DIRECT MY COMMENTS AT RURAL ECONOMIC DEVELOPMENT, IN PARTICULAR TO AGRICULTURALLY ORIENTED RURAL TOWNS, VILLAGES AND CITIES.

MY CONCERN IS THAT WE ARE NEGLECTING A VITAL LINK IN THE AMERICAN FARM PICTURE - THAT LINK IS RURAL CITIES. RURAL CITIES ARE THE RURAL TRADE CENTERS AND THERE IS A NEED TO UPGRADE THEIR INFRASTRUCTURE SO THEY, AS FARM MARKET CENTERS, CAN HELP IN FARM MARKETING EFFORTS.

EXAMPLES OF THE ROLE THAT SMALL RURAL CITIES CAN PLAY IN DEVELOPING TARGET MARKETS ARE THE NATIONAL AND INTERNATIONAL TREND TOWARDS TRAVEL AND TOURISM, BED AND BREAKFAST STATIONS IN RURAL SETTINGS AND HUNTING ON FARM AND RANCH HOLDINGS. NOT ONLY WILL THESE BUILD BUSINESS FOR RURAL BUSINESSES, BUT WILL PROVIDE OPPORTUNITIES FOR MORE FARM INCOME.

IN THIS RESPECT WE SHOULD BE LOOKING AT AREAS OR RURAL COMMUNITY INFRASTRUCTURE DEVELOPMENT SUCH AS FARM TO MARKET ROADS, DEVELOPING QUICK ACCESS FROM RURAL MARKET AREAS TO MAJOR TRUCK ROUTES, INCLUDING THROUGH STREETS IN RURAL CITIES AND ROUTES OF TRAVEL THAT LEAD TO ATTRACTIONS ASSOCIATED WITH AGRICULTURE.

HOW MANY OF OUR URBAN COUSINS TRAVELING THROUGH OUR AREA HAVE NEVER SEEN A FIELD OF BEANS OR A FIELD OF POTATOES? LOTS OF CITY FOLKS WANT TO KNOW ABOUT RURAL AMERICA. IF THIS INTEREST IS NOT THE CASE, WHY IS IT THAT ALL MAJOR CITIES NOW HAVE A FARM ZOO?
FARM AND RANCH RECREATION MUST KEEP PACE WITH NATIONAL AND INTERNATIONAL RECREATION INCREASES. THIS WILL GIVE ADDED VALUE TO THE FARM AND RANCH AND PROVIDE SUPPLEMENTAL INCOME TO RURAL COMMUNITIES INCLUDING SMALL RURAL CITIES.

IN LINE WITH THIS THINKING, WE URGE CONSIDERATION FOR UPGRADING RURAL COMMUNITY INFRASTRUCTURES.
SPECIFICALLY, CHAIRMAN ENGLISH, I ALSO URGE THE SUPPORT OF THIS SUBCOMMITTEE AND OTHER CONGRESSIONAL AGRICULTURAL INTERESTS OF THE UPCOMING LEGISLATION TO CREATE THE CRATERS OF THE MOON NATIONAL PARK. IN THIS EFFORT, CONGRESSMAN STALLINGS IS A KEY PLAYER.
NOT ONLY IS THE CRATERS OF THE MOON AREA UNIQUE IN CHARACTER, BUT IT IS A WORLD CLASS RESOURCE ON VOLCANISM. CREATION OF THE PARK WILL ADD IMMENSELY TO RURAL RECREATION AND GIVE SOME STATUS TO THE IMPORTANCE OF RECREATION TRAVEL IN RURAL AREAS OF THE COUNTRY.
THANK YOU,

GLEN ALLEN, CHAIRMAN
CRATERS OF THE MOON DEVELOPMENT CORPORATION

GA/ps

PHONE (208) 888-4495

P. O. BOX 367 – MERIDIAN, IDAHO 83642

IDAHO STATE GRANGE

OFFICE OF THE STATE MASTER

August 21, 1989

Rep. Glenn English, Chairman
House Agriculture Sub Committee
on Conservation, Credit and Rural Development
2206 RHOB
Washington, D.C. 20515

Chairman English, Members of the Committee:

We, as members of the Idaho State Grange, want to welcome you to our state and thank you for giving us this opportunity to express our concerns of rural citizens in Idaho.

The National Grange's rural development proposals are centered around six major areas of concern: transportation, health care, agriculture, communications, business development and education. We would like to address just the first two with our limitation on time.

We, in Idaho, are proud of our state and our heritage, but it requires a lot of attention and "tender, loving care." In order for all to enjoy and comprehend all of the beauty, we need our "paths and crossings" in a little bit better condition than they are today.

Our Grange policy to all national concerns must, and does, originate from our Granges in rural America. We, as individual Grange members, have a great concern about our rural roads and bridges. There are a great many roads that were built to handle commerce and the loads of America's raw materials thirty to forty years ago. But, today these roads are unable to handle the great increase in load weights or number of vehicles it takes to get our raw materials to the processor and/or ports of export.

The present conditions of rural roads and bridges need our attention NOW! The conditions not only discourage economic growth, but are increasing the costs of firms that must use such roads to transport their goods. The rural roads and bridges are a vital link in the national highway system and should receive a larger share of the Highway Trust Fund.

The Federal Government should extend the Highway Trust Fund to the year 2000 and the National Grange will oppose any federal or state diversion of these funds for non-highway purposes.

The National Grange will support legislation to remove the Highway Trust Fund from the Unified Budget and Gramm Rudman Hollings cutback. The National Grange is presently laying a foundation for a program they feel is very timely. It is called LRB (Local Roads and Bridges). It is a program that everyone - Grangers and non-Grangers alike must be concerned with. How are we going to get the right people to listen to our concerns?

Health care is getting to be a very major concern of our Granges in rural communities. How do we get doctors to come to our small communities and how can we get them to stay? Transportation plays a very major part in our health care to our elderly. It is a proven fact that it is cheaper to bring the medical services to the elderly in their own homes rather than putting these people in rest homes.

The loss of a rural hospital has a tremendous impact on a rural community. Areas without hospitals cannot attract new employers or residents. Rural hospitals are evolving into cooperative health care networks with larger or urban hospitals by referring patients who need advanced services to the urban health center.

We also need to give farmers and other self-employed people the same tax benefits for health insurance that corporate employees have.

The other points our Grangers are telling us are:

1. Not all farmers are yet "out of the mud." There are still a lot of gravel and clay roads around the nation.

2. Rural bridges are among the larger problems that need to be solved in order to return to an adequate service level.

3. Railroad abandonment has placed serious burdens on the rural highway system and makes it necessary to rebuild deteriorating roads and bridges to higher standards to accommodate the larger number of heavier vehicles that are using the roads.

4. While the farm population is decreasing, food production is not and crops still need to be moved over rural highways to reach the market.

5. With the decreasing population and the dispersion of industry in the country, it is becoming necessary for a community wanting to enhance its economic position to have roads to attract new economic activity.

6. Rural America has changed. Since there is a growing need for better transportation opportunities for those who do not drive, it is necessary for rural America to actively participate in the public transit activity.

We, as Grangers, are willing to help in any way we can to gain congressional approval. The need is here - we must act NOW!

Thank you for giving the Grange an opportunity to speak before your committee.

Respectfully,

Don W Johnson

Don W. Johnson, Master
Idaho State Grange

DWJ:js

STATE OF NEVADA
EXECUTIVE CHAMBER
Carson City, Nevada 89710

BOB MILLER
Acting Governor

TELEPHONE
(702) 885-5670

August 16, 1989

The Honorable Glenn English
United States Congressman
2206 Rayburn House Office Bldg.
Washington, D.C. 20515-3606

Dear Congressman English:

I appreciate this opportunity to present testimony on rural development issues of importance to Nevada. I commend you for making the effort to travel to the West and learn from us our concerns and our desires regarding a Federal rural development policy. At this time, I will simply make a few broad points outlining Nevada's preference for the nature of Federal rural development assistance, and I ask your permission to submit further detailed testimony for the record.

The first point that must be made is an obvious one, namely that what is "rural America" varies greatly by region of the country as well as from state to state. For Nevada, rural means a few people spread over a large territory. Fifteen of Nevada's 17 counties are classified as rural; only 17.6%, or 193,000 persons of our 1.1 million population live in those 15 counties, yet they encompass 95,848 square miles.

A second point to be made is that rural communities face a wide variety of problems and challenges, and the crucial issues are different for each region, and possibly for each community. This divergence of needs is due to differences in communities' origins, in their locations vis a vis urban communities, and in their work force and skill base vis a vis the economy of the 1980's, to name a few reasons.

Consequently, the most important single characteristic of any Federal rural development policy is that it be varied in the types of assistance it offers and flexible in the means of delivering that assistance.

The Federal assistance that has worked most successfully in rural Nevada is the Community Development Block Grant program, therefore, I urge that any Federal rural

development policy contain a block grant program which will allow us at the state level to target assistance to where it is most needed.

Such a block grant could target assistance by considering not only income level, but also remoteness, amount of outmigration, and other structural issues which negatively impact the competitiveness of rural communities. In addition, it would contain a wide variety of eligible uses of the funds, once again to allow the state and the eligible localities to put the assistance to the most productive use possible.

We are not asking for a free reign with Federal funds. I believe it is the responsibility of the states and of local governments, as well as the private sector, to be partners in rural development. I would suggest that the first criteria for use of the funds be that they follow a comprehensive state and local development strategy. We do not need funding for its own sake, we need carefully targeted assistance to address very specific problems.

Once again, I appreciate this opportunity to convey our views and we look forward to the work of your committee.

Sincerely,

Bob Miller

BOB MILLER
Governor

BM/lw

(Attachments follow:)

SOUTHEAST IDAHO PRIVATE INDUSTY COUNCIL

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SOUTHEAST IDAHO PRIVATE INDUSTRY COUNCIL

The Southeast Idaho Private Industry Council, Inc. (SIPIC) has been assigned the responsibility to provide guidance for, and exercise oversight with respect to activities under the Job Training Plan within the Service Delivery District of Area V in partnership with the local elected officials of the Region V Southeast Idaho Council of Governments, Inc., Board of Directors. The Private Industry Council in cooperation with the local elected officials of the Southeast Idaho Council of Governments' Board of Directors:

1. Select the Grant Recipient to administer the Job Training Partnership Act for the Area V Service Delivery District, (Currently the Grant Recipient is the Department of Employment)

2. Select service providers who will provide the training in Area V, and

3. Design a Job Training Plan, complete with policies regarding JTPA programs, to be submitted to the Governor each program year.

The Council may:

1. Prepare and approve a budget for itself, and

2. Incorporate and solicit and accept contributions and grant funds.

MEMBERSHIP STRUCTURE AND PROCESS

The Private Industry Council consists of a majority of private industry representatives who either own, run or have substantial management responsibility in business concerns. In addition, these representatives must reasonably represent the industrial and demographic composition of the local business community.

Other PIC members must include representatives of:

Educational Agencies
Organized Labor
Rehabilitation Agencies
Community Based Organizations
Economic Development Agencies; and the
Public Employment Service

Nominations for members are gathered from recommendations made by interested organizations. The Southeast Idaho Council of Governments, made up of Local Elected Officials, appoint members to the Council from individuals nominated or recommended as stated.

The Council currently consists of 29 members the majority being private sector. A current list of members has been included as Attachment B.

Initial Council members were appointed for fixed and staggered terms. All new appointments will serve fixed two year terms. If an appointee resigns or is removed during the term of his/her appointment, a new appointment will be made within the appropriate category of membership, and the new appointee shall complete the remainder of the term for which the original appointment was made.

OFFICERS

Officers of the Southeast Idaho Private Industry Council consist of a Chairperson and a Vice-Chairperson. The Chairperson is elected from the private sector membership by a simple majority vote by the full council. The Vice-Chairperson is elected from the full Council membership by a simple majority vote by the full Council. Current officers are listed in Appendix B. (See PIC by-laws for further details and Officers' duties.)

MEETINGS

Meetings are held on a regular monthly basis, unless the Chairperson determines the regular meeting to be unnecessary.

Special meetings may be held at the call of the Chairperson, or by a majority vote of the Council present. All Council are open to the public, and are conducted according to the revised Roberts Rules of Order regarding parliamentary procedure.

Council meetings generally take place in Pocatello. All members are expected to attend all meetings. If a member is unable to attend a meeting, the member shall notify the Chairperson or staff of his or her impending absence in advance of the scheduled meeting and will assign a proxy in advance of the meeting.

COMMITTEES

The Council currently has established three standing committees- Proposal Review, Youth Competency, Planning and Budget

Proposal Review
Responsibilities include:
1. Reviewing and ranking proposals
2. Making recommendations for selection of service providers

Youth Competency
Responsibilities include:
1. Exploring various youth competency systems
2. Recommending a system for the region
3. Planning the implementation of a youth competency system.

Policy Planning and Budget
Responsibilities include:
1. Reviewing the Training Plan
2. Reviewing and developing policies to guide the direction of Employment and Training activities in Area V
3. Reviewing the Technical Assistance Budget

COUNCIL STAFF

The staff of the Southeast Idaho Private Industry Council is employed by the Region V Southeast Idaho Council of Governments and is hired to serve the Council. Staff is responsible for providing information to the Council within the scope of the Act and the PIC by-laws, and for providing assistance to the PIC in making their funding decisions, and developing the training plan. Arlene Buben is currently employed as Staff for the Council.

FUNDING

Funds for JTPA are allocated by the U.S. Department of Labor to the Governor. The funding cycle for JTPA begins on July 1st and ends on June 30.

PROJECTIONS OF LABOR FORCE PARTICIPATION

Blacks, Hispanics, Asians and other races are projected to account for 57 percent of labor force growth between 1986–2000. These groups plus white women will account for 90 percent of labor force growth.

Women alone are expected to account for 64 percent of the projected labor force growth. By the year 2000, it is projected that women will comprise 47 percent of the labor force, up from 39 percent in 1972 and 45 percent in 1986. Overall, the Bureau of Labor Statistics projects the labor force will become increasingly female and minority.

Current trends in age composition of the work force are projected to continue through mid-1990. Then, they will begin to reverse. By 2000, the share of the labor force ages 16–34 is projected to decline, and the share of 35–54 year-olds is expected to increase. The number of 55–64 year-olds will decline through the mid-1990's, then will increase rapidly; between 1995–2000, this group will be the fastest-growing segment of the labor force.

Civilian Noninstitutional Labor Force by Age, Sex, Race and Hispanic Origin 1988 and projected 1995 and 2000 (in thousands)

Group	Labor Force		
	1988	1995	2000
White			
16–19			
Men	3,542	3,350	3,762
Women	3,320	3,259	3,684
Total	6,862	6,609	7,446
20–24			
Men	23,754	21,315	19,574
Women	18,920	18,604	17,789
Total	42,674	39,919	37,363
25–44			
Men	13,207	16,654	17,100
Women	10,365	14,300	15,264
Total	23,572	30,954	32,364
45–54			
Men	8,791	12,036	14,193
Women	6,588	9,860	11,964
Total	15,379	21,896	26,157
55–64			
Men	6,259	5,672	6,391
Women	4,323	4,167	4,848
Total	10,582	9,839	11,239
65–74			
Men	1,410	1,194	1,001
Women	932	890	784
Total	2,342	2,084	1,785
75+			
Men	253	250	231
Women	137	135	116
Total	390	385	347
Black			
16–19			
Men	459	494	568
Women	425	481	558
Total	884	975	1,126
20–24			
Men	2,986	3,001	2,931
Women	2,950	3,065	3,041
Total	5,936	6,066	5,972

Group	Labor Force		
	1988	1995	2000
35–44			
Men	1,359	2,025	2,225
Women	1,437	2,185	2,409
Total	2,796	4,210	4,634
45–54			
Men	901	1,202	1,526
Women	893	1,294	1,677
Total	1,794	2,496	3,203
55–64			
Men	551	552	575
Women	499	559	639
Total	1,050	1,111	1,214
65–74			
Men	105	94	88
Women	90	75	64
Total	195	169	152
75+			
Men	12	12	13
Women	17	19	20
Total	29	31	33
Hispanic			
16–19			
Men	336	461	567
Women	236	347	436
Total	572	808	1,003
20–34			
Men	2,557	3,319	3,612
Women	1,542	2,110	2,406
Total	4,099	5,429	6,018
35–44			
Men	1,015	1,810	2,234
Women	698	1,234	1,549
Total	1,713	3,044	3,783
45–54			
Men	661	968	1,297
Women	436	734	1,000
Total	1,097	1,702	2,297
55–64			
Men	323	437	538
Women	188	267	334
Total	511	704	872
65+			
Men	56	53	55
Women	28	47	58
Total	84	100	113
Asian			
16–19			
Men	101	133	171
Women	79	109	137
Total	180	242	308
20–34			
Men	792	974	1,059
Women	632	880	1,014
Total	1,424	1,854	2,073
35–44			
Men	463	715	808
Women	402	664	765
Total	865	1,379	1,573
45–54			
Men	302	470	613
Women	265	435	579
Total	567	905	1,192
55–64			
Men	144	214	272
Women	118	189	245
Total	262	403	517
65–74			
Men	29	33	33
Women	19	32	37
Total	48	65	70
75+			
Men	3	2	2
Women	3	4	5
Total	6	6	7

Source: Projections 2000, U.S. Department of Labor, Bureau of Labor Statistics, January 1988, pp. 93–95.

JOBS OF THE FUTURE

The Bureau of Labor Statistics estimates that by the year 2000, 21 million new jobs will be created mostly in the service sector. Many of the new jobs will require higher levels than ever before in mathematics, language and reasoning ability. According to the Hudson Institute study, *Workforce 2000*, the workers who will join the labor force between now and the year 2000 are not well matched to the jobs the economy is creating. Millions of new workers lack the basic skills essential for employment.

Most New Jobs have been Created by Small Firms (numbers in millions)

	Jobs in 1976		New Jobs Created 1976–1982	
	Number	Share	Number	Share
Total	76.0	100%	11.9	100%
Firm Size				
0–19 Employees	15.6	21%	4.6	39%
20–99	12.8	17%	1.7	14%
100–499	10.8	14%	1.2	10%
500+	36.7	48%	4.5	38%

Source: Office of Advocacy, U.S. Small Business Administration, unpublished data, as printed in *Workforce 2000*, Hudson Institute, Indianapolis, Indiana, June 1987, pg. 60.

Employment in Goods Production will Decline by the Year 2000 (millions of workers)

	1985		2000		CHANGE (1985–2000)	
	Number*	Share	Number	Share	Number	Share
TOTAL	107.16	100.00%	130.96	100.00%	23.81	22.22%
Goods						
Total	26.21	26.32%	25.74	19.65%	−2.47	− 8.76%
Farm, Forest, Fishing	3.14	2.93%	2.67	2.04%	−0.47	−14.88%
Mining	0.97	0.90%	0.79	0.60%	−0.18	−18.68%
Construction	4.66	4.35%	5.06	3.86%	0.40	8.52%
Manufacturing	19.44	18.14%	17.22	13.15%	−2.22	−11.42%
Durable	11.58	10.81%	10.51	8.02%	−1.06	− 9.28%
Nondurable	7.86	7.34%	6.72	5.13%	−1.15	−14.57%
Services						
Total	72.62	67.77%	96.51	73.69%	23.89	32.90%
Finance, Insurance & Real Estate	5.92	5.53%	8.12	6.20%	2.19	37.02%
Wholesale & Retail Trade	23.19	21.64%	30.37	23.19%	7.18	30.95%
Regulated Industries	5.29	4.94%	5.76	4.40%	0.47	8.92%
Other Services	21.92	20.46%	32.16	24.56%	10.24	46.71%
Government	16.30	15.21%	20.10	15.35%	3.81	23.37%

* Excludes Self-employment

Source: Workforce 2000, Hudson Institute, Indianapolis, Indiana, June 1987, pg. 58.

PROJECTIONS OF THE FUTURE WORK FORCE

By 2000, workers 25–54 years of age will make up 73 percent of the labor force, up from 67 percent in 1986. The share of very young (16–24 years) workers will account for about 16 percent of the work force. The share of workers 55 and older is projected to decrease between 1986 and 1995, but then increase between 1995 and 2000. During this latter five years, this group will be the fastest-growing segment of the labor force.

Between the years 1986–2000, the fastest-growing age group among men will be ages 45–54, for a projected increase of 63 million, or 30 percent of the labor force.

Women are projected to account for more than 60 percent of the labor force growth, with 66 million women in the labor force. Although men have been and will continue to be a majority of the work force, their numbers will grow more slowly, increasing only about 12 percent between 1986–2000. The numbers of working women are expected to increase about 25 percent.

Civilian Labor Force Participation by Age and Sex, Actual 1972, 1986 and Projected to 2000 (in thousands)

Age	1972	1986	% change	2000	% change
16–19					
Men	4,478	4,102	– 8.4	4,501	9.7
Women	3,578	3,824	6.9	4,379	14.5
Total	8,056	7,926	– 0.8	8,880	12.1
20–24					
Men	6,785	8,149	20.5	7,005	–14.0
Women	5,365	7,293	35.9	6,746	– 7.5
Total	12,130	15,442	28.2	13,751	–10.8
25–34					
Men	12,349	19,383	57.0	16,559	–14.6
Women	6,609	15,209	130.1	15,098	– 0.7
Total	18,958	34,592	93.6	34,481	– 7.7
35–44					
Men	10,372	15,029	44.9	20,133	34.0
Women	6,028	12,204	102.5	18,438	51.1
Total	16,400	27,233	73.7	38,571	42.6
45–54					
Men	10,412	9,994	– 4.0	16,332	63.4
Women	6,555	7,746	18.2	14,220	83.6
Total	16,967	17,740	11.1	30,552	73.5
55–64					
Men	7,155	6,954	– 2.8	7,238	4.1
Women	4,257	4,940	16.0	5,732	16.0
Total	11,412	11,894	6.6	12,970	10.1
65+					
Men	2,025	1,812	–10.5	1,368	–24.5
Women	1,089	1,198	10.0	1,026	–14.4
Total	3,114	3,010	– 0.3	2,394	–19.5

Source: Projections 2000, U.S. Department of Labor, Bureau of Labor Statistics, March 1988, page 23.

IDA-ORE Revolving Development Fund Proposal

Executive Summary

1.0 Objective and Need for Assistance

1.1 Problem

The IDA-ORE Revolving Development Fund (RDF) will focus on the most rural parts of Southwest Idaho and Eastern Oregon. The fund will to bridge the financial gap for rural development in a way that no other public or private financing scheme can. The problem in rural America is that because of remote locations and broadly dispersed markets, rural economic development is very difficult. This is compounded by economies in rural areas that have been on the decline since the early 1980's with declining populations, declining labor force and increasing unemployment rates. The consequential impact on income and secondary and tertiary business opportunity has been devastating, as witnessed by the "boarded-up" commercial districts in many small communities in our region.

Financing for small business in rural areas is often very difficult to obtain. IDA-ORE's own business development financing program requires committment by commerical lenders in every case while venture capital is almost unheard of. The deregulated environment in which commercial lenders and institutional lenders operate, finds that increasingly conventional sources of development capital are either unavailable or attracted elsewhere.

A declining availability of serviceable physical plants for rural industry also exists. This results from a declining economy which discourages reinvestment in existing plant and equipment which compounded by the declining wealth of individuals and the reluctance of banks to lend. There are, in many cases, very few entrepeneurs willing to make new investments in rural locations because of the insecurity of the investment. This lack of entrepenurial behavior has also created a financial gap which has prevented existing plant and equipment from being upgraded and modernized while preventing the development of new plant for businesses. Small business concerns are often unable to finance their own physical plant requirements without institutional investors providing for the investment in new buildings and equipment. There needs to be an agressive development partner that will attract development capital to the remodeling of existing plant and equipment or the development of new facilities.

1.2 Objectives

It is the proposal of the IDA-ORE RDF program to fill the entrepeneurial gap by agreeing to provide facilties or upgrade facilities for firms which require more efficient or modern facilities to grow and expand. The program will thereby attract additional private capital and leverage public resources in such a fashion that will stimulate rural development in some of the areas most difficult to reach with conventional financial resources. The program is designed to work with existing entrepeneurs in each community to attract both land, buildings and cash to new projects. The project design will also permit IDA-ORE to remodel existing facilities where conventional financing has been exhausted and where leasing of such facilities to firms, which agree to locate in those facilities, represents the only solution to solving financial problems for the growth of that firm.

The project design provided in the application represents a departure from economic development methods. Using careful investment criteria, IDA-ORE proposes to leverage the Farmers' Home Administration grant program several times and produce several hundred new jobs. However, the program will have a life beyond the initial investment. An agreement with the leasors of the new facilities would require them to acquire the property or identify new owner/investors within a seven year time frame. This arrangement would permit IDA-ORE to recapture the cash originally invested, with a modest return to the public interest, and reinvest those dollars in new projects.

This project will be dependent, in part, on the management of public resources by an experienced rural development agency, IDA-ORE Planning and Development Association, and upon the participation by other public and private partners in the venture which will be unique to our area and perhaps the United States. We would be working with both public jurisdictions and with private entrepeneurs to attract the additional capital necessary to make the revolving development fund program successful.

2.0 Results or Benefits Expected

2.1 Leverage of Private Investment

The projects will leverage new private investment at a rate of approximately $2.6 in private investment to $1 Farmers' Home Adminstration assistance in the first year of operation.

2.2 Job Creation/Retention

Through the selection of representative firms and situations detailed in our narrative, IDA-ORE proposes to enter into partnerships with communities and firms which will support the retention and creation of over 300 jobs in the IDA-ORE region over the next five years.

2.3 Other Economic Development Benefits

Other benefits include the leveraging and integration of local economic development resources both from IDA-ORE, the states of Idaho and Oregon and also in the development of organizational capacity in IDA-ORE and the three targetted communities. It is anticipated that the development of these facilities will create new property and use taxes in the three affected locations which will help build the economic base of each community.

3.0 Approach (Scope of Work)

The RDF program is designed to create new facilities where adequate modern facilities do not exist or to upgrade existing facilities which may be out of date. The maximum investment by the IDA-ORE RDF will be $250,000. The minimum share required from a given partnership shall be 10%. The type assets or improvements financed will be the remodeling of existing facilities for development of new buildings and may not be used to provide working capital. Minimum return on equity must match the current treasury bill rate plus 3%. Lease rates and terms will be negotiated based on the required return to the development fund and customary lease rates within a 50 mile radius of the development.

It is anticipated that the properties will all be liquidated between the fifth and seventh years and that the proceeds will be used to recapitalize the RDF in order to establish new facilities in some other distressed rural community. The initial capitalization will also yield (over and above the reserve funds) a fund sufficient to develop or redevelop new facilities in other communities within five years.

Projects receiving assistance from the IDA-ORE RDF must minimally create or retain 1 job for every $10,000 invested by IDA-ORE; must create jobs which principally benefit low to moderate income individuals, many of whom may also be eligible for training or retraining under the Job Training Partnership Act; and meet other industrial development criteria. Other things being equal, projects which are located in the most distressed counties will receive priority assistance. We will at all times attempt to maximize the public investment through partnerships which leverage additional private investment and create employment opportunities in industries which have sound economic futures in the region. Prospective tenants, who must sign lease agreements prior to construction, will be throughly evaluated regarding their business plan, their credit position and the market opportunity for the product or service that they provide.

The project design requires that the project be managed by the IDA-ORE Planning and Development Association, its Board of Directors and its development finance staff. All projects proposed for development finance funding will be scrutinized first for conventional or other public/private financing arrangements before the RDF program will be considered. It is anticipated that upon grant award that the projects contemplated can be completed within a 9 - 10 month period and that firms for which facilities might be developed or remodeled could move in within twelve months, provided the weather cooperates. It is anticipated that lease arrangements would include "escalators" or "kickers" beginning in the fourth year and that all properties and investments would be liquidated by the seventh year, at which point IDA-ORE would seek new opportunities, reinvesting the funds in accordance with the approved management plan. This new program design would be monitored, and periodic reports would be routed to Farmers' Home Administration based on the requirements of FmHA.

4.0 Other Related Activity

The IDA-ORE RDF program would be correlated closely with IDA-ORE's operation of the Treasure Valley Certified Development Corporation management of the revolving loan fund and with a new small business investment corporation in our region. IDA-ORE will also correlate our federal procurement outreach program, the IDA-ORE Employment and Training Program and public works programs as required. The IDA-ORE Industrial Development Program will also assist in attracting new tenants to facilities which may be re-developed, constructed to locate new industry in a distressed community.

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IDA-ORE Revolving Development Fund Program

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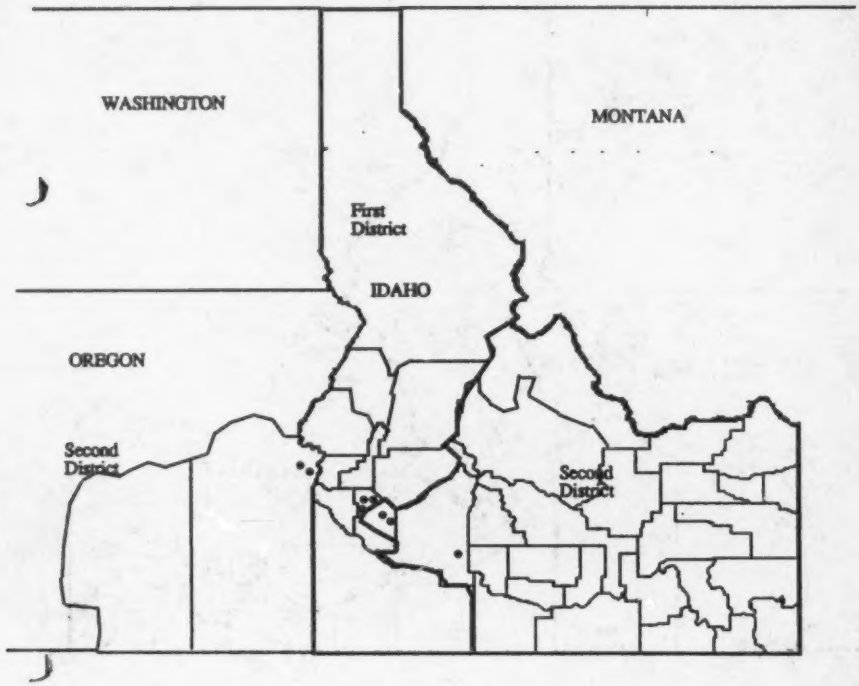

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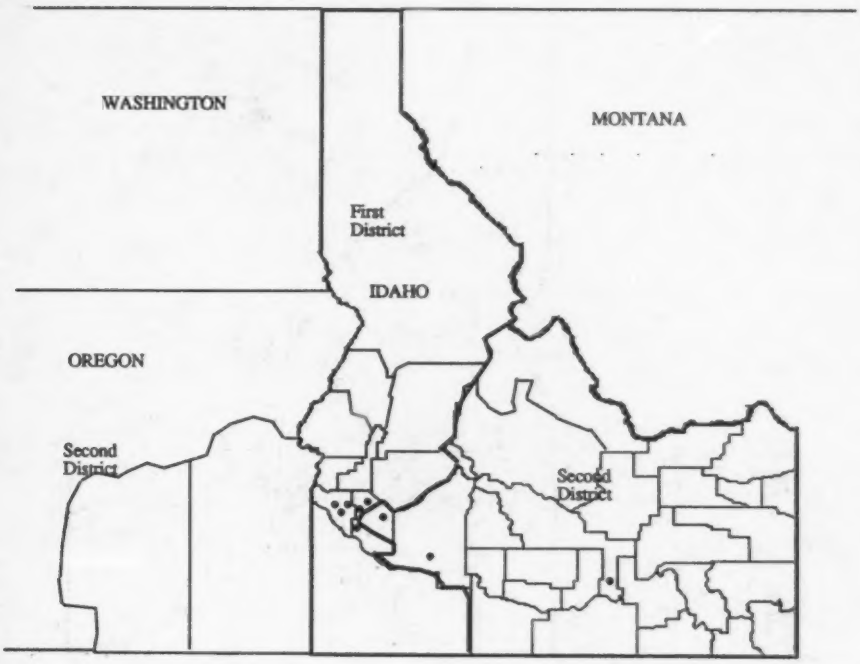

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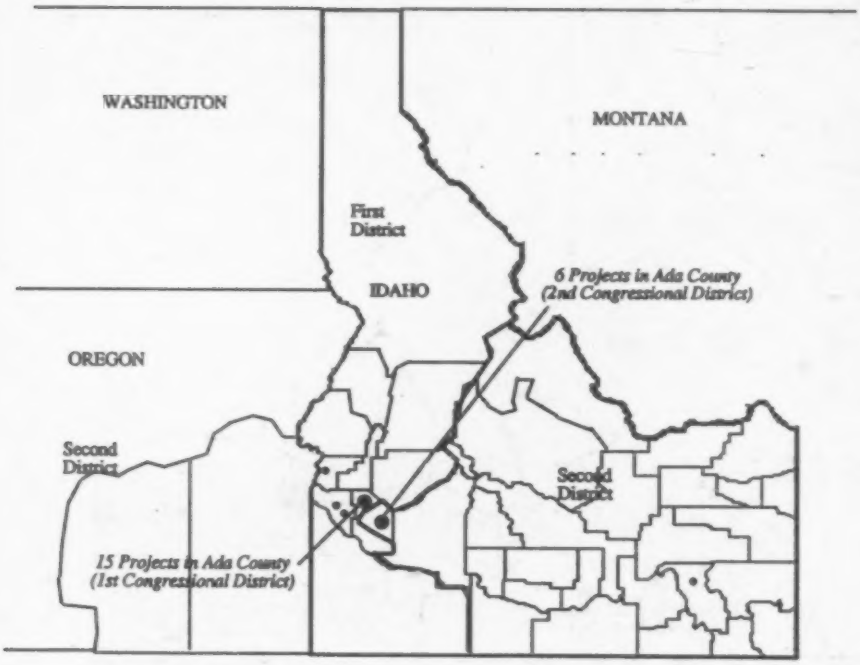

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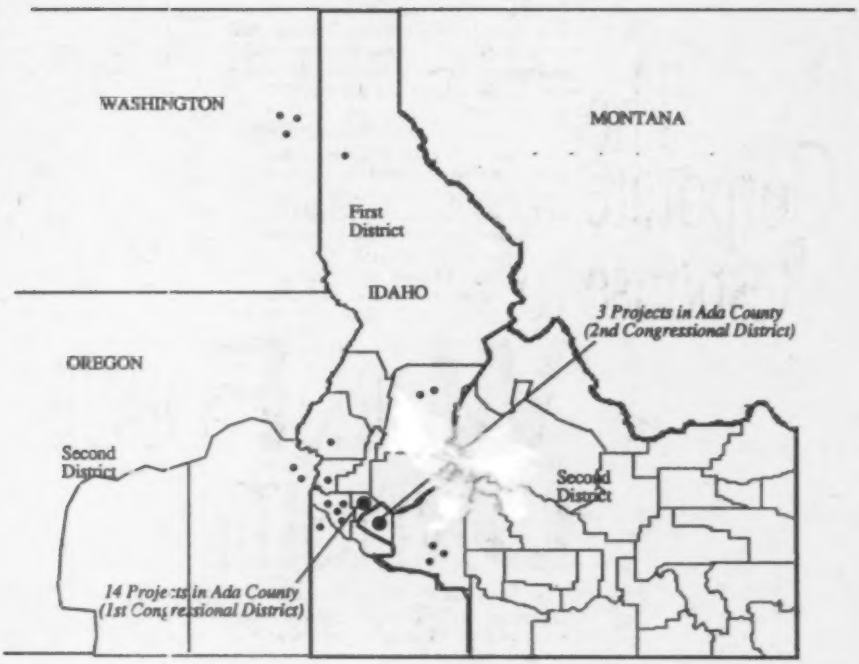


Charlene Marmer Solomon, *Los Angeles, CA*

The Corporate Response to WORK FORCE DIVERSITY

The scene is the office. Two female employees are talking. In a nearby corridor, two black men are in a discussion and two white males are talking as they enter the elevator. Everyone is dressed in appropriate business garb, and all are speaking quietly so they can't be overheard.

This scene isn't unusual. Minorities and women are joining white males throughout the ranks in business. Consider for a moment, though. What are your assumptions about these people? Are the women talking about fashion or their children? Are the black men talking about sports? Are the white males talking about data they just received from corporate headquarters?

It doesn't really matter what they're talking about, does it? Your concern should be your assumptions: what you *think* they're discussing. Assumptions aren't limited to gender and ethnicity. They also cover age, disabilities and style.

Assumptions made about other people can — and do — affect how we act toward them. Yet these assumptions are based on long-held ideas or stereotypes that each person has about others who are unlike him or her. We think of them as facts, not stereotypes. They can be negative or simply subtle expectations about how certain groups of people act and think.

Such assumptions and expectations can be unproductive in the workplace. They cause needless misunderstandings, low employee morale and barriers to upward mobility.

Even when managers assume that all employees can be motivated and rewarded alike, it can lead to problems. Unproductive attitudes become increasingly difficult in light of the changing nature of the workplace.

ILLUSTRATION BY KEVIN REAGAN

The shrinking labor pool and the accompanying increased percentage of ethnic and racial minorities, women and older workers are changing work force demographics. That fact is recognized by progressive companies.

For example, such giants as Xerox Corp., Digital Equipment Corp. and Procter & Gamble Co. have created programs to deal with a multicultural, diverse work force. Human resources administrators at Hallmark Cards and Avon Products, Inc. use such words as *empowerment* and *global thinking*. Additionally, other companies, such as McDonald's Corp. and Eastman Kodak Co., offer flexible programs to fill some of their employees' needs as well as training that stimulates sensitivity and awareness.

Variously titled, these multicultural programs generically are termed *work force diversity management*. They encompass employee recruitment, management and retention.

Embracing Differences Is a Business Imperative

Lennie Copeland, noted authority and coproducer of the three-part film series *Valuing Diversity*, says work force diversity training is the step after equal employment opportunity (EEO) and affirmative action. Yet it's different from both because it looks at differences from a positive viewpoint.

"EEO and affirmative action largely were the result of civil rights and, consequently, the moral and social impetus and legal basis for treating people fairly. *Valuing Diversity* is about allowing individuals to make their maximum contribution and to succeed regardless of gender, color, race and so on."

Copeland explains that after civil rights legislation was enacted, people resisted talking about differences because these differences implied that someone or something either was inferior or superior.

"If somebody was different from the white male standard," she says, "then it meant they weren't as good as white males. There was potential for real damage in saying that blacks are different from whites.

"Valuing diversity work is new in that it begins to talk about those things that have been taboo: the differences. It begins to address the fact that on top of stereotypes and prejudice, there are real cultural differences that cause miscommunication and conflicts, which then further compound the stereotype and the prejudice," she concludes.

King-Ming Young, one of the innovators of the valuing diversity program at Hewlett-Packard Co., believes affirmative action has helped decrease institutional racism and sexism.

"Now we need a mentality that focuses on how we support employees so everybody really has equality in moving up the corporate ladder," she says. "We want to look at the relationships of people, how people conduct business and how company policies and unwritten rules may affect groups differently."

The underlying premise is that the first step to managing heterogeneity effectively is to understand rather than deny the differences. This acknowledges that everyone is not the same.

"The driving force is the sense of business urgency about these issues," says David Snipe, director of multiculturalism at Avon. "It's a business imperative as opposed to the legal, moralistic and altruistic prior formatting."

John Lynch, worldwide affirmative action manager for Hewlett-Packard, concurs. "Thirty years ago, most engineering graduates were white males. Now, of course, those numbers have changed quite dramatically. If we're going to develop the people we're hiring out of college into future management, it becomes increasingly important that current management understands how to develop these employees."

Most experts agree with Snipe and Lynch. They cite the shrinking labor pool, the growing percentage of minorities and the dramatic, demographic shifts of the marketplace as examples of

why this development must occur.[2]

Between 1989 and 2000, 25 million people will join the work force. Approximately 85% of those new workers will be minorities: American-born women as well as black, Hispanic, Asian, American Indian and Pacific islander men. The remaining 15% will be white males.

Another fact is that the labor force is maturing. The median age will shift from 36 (1987) to 39 (by 2000), and young workers will decline by 8%.[3]

According to Marian S. Krauskopf, clinical director for Columbia University's School of Social Work, Center for Social Policy and Practice in the Workplace, "In the past, managing a labor force really meant managing a homogenous work force of white males. That picture will be changing dramatically during the next 12 years."

This poses many new situations for managers, not only centered around multicultural differences, but also around other differences. For example, as the work force ages, managers will have to prepare themselves to respond to older workers, especially females, who will present issues associated with the sandwich generation.

These employees will be responsible simultaneously for aging and fragile parents as well as for their young children. This will require greater flexibility on the part of the employer. As more women enter the labor force, this issue will play more importance.

Thus, American business is faced with many challenges regarding the increasing diversity of the work force. Human resources professionals are questioning what motivates people, whether their company has a glass ceiling and, if so, how it can be shattered. They want to know how people of different backgrounds can channel their energies toward one business goal productively.

There's little choice for business. "Any company that wants to maintain a competitive edge and be able to hire the best and the brightest needs to know how to manage a wide group of people," says Marilyn King, manager of equal opportunity programs at Hallmark Cards. "If you start now and build a climate in which all groups feel comfortable, you enhance your recruiting possibilities and your ability to attract talented people."

Many progressive companies want every employee to receive some type of diversity training or orientation, such as about glass ceilings and stereotypes.

Training programs address many of these challenges. "When you have a group of people who are different sitting around a conference table, prejudice kicks in," warns Copeland. "People also have difficulty working with different styles. They're not just cross-cultural or across racial lines, but even creative people versus more technical people."

Progressive Firms Want Every Employee to Receive Diversity Training

A group of managers faces a trainer. The instructor asks the group to complete this phrase: "A woman is..." The managers brainstorm about what comes to mind. Later, they replace woman with "white male," "black," "Hispanic," "Asian" and "disabled." Then the trainer helps them understand the assumptions behind the stereotypes they voiced.

Because every corporate culture is unique, it's understandable that work force diversity training programs vary between companies. The number of employees, the type of product or service and the origins of the multicultural movement within the organization dictate some of the training program's parameters. There are similarities among them, however. For example:

- Programs generally are led by specially trained instructors who have embraced the company's philosophy as it pertains to affirmative action and diversity training
- Most programs combine role playing, exercises, lectures and discussions, and group experiences
- Good programs allow broad latitude and flexibility so specific division managers can adapt them
- Program length usually ranges from one-half day to three days
- Goals are clear and part of a larger company effort
- Evaluative instruments are used to measure effectiveness
- Follow-up programs are desired or already in place.

Many progressive companies want every employee to receive some type of diversity training or orientation. To establish such programs, companies contract with outside training groups or consultants, or employ in-house specialists. Many firms use a combination of the three.

Copeland Griggs Productions' *The Valuing Diversity Training* program is representative of an outside educational model. The agenda includes three days of training that focus on managing differences, diversity in the workplace and cross-cultural communication.

Trainees learn how to use and implement these designs in their organization. In addition, they examine how to get management to support a program, learn about group dynamics as well as how to handle sexism, racism and so forth effectively. Some of the topics offered include:

- The glass ceiling
- Standards and accountability
- Stereotypes
- Cultural differences
- Cultural differences in communication styles.

Many exercises examine stereotypes and assumptions. One such exercise, "Mentoring Mark or Mentoring Mary," makes subtle negative expectations apparent to group participants.

In this training session, small work groups receive the following scenario: Mary, a 21-year-old college graduate and a person possessing a specific set of attributes, joins the company. One group is asked to describe how they would mentor her.

The other work group is given a similar story, but the new hire is Mark. They're asked how they would mentor him. (Other examples use the term *minority* or *disabled*.)

After discussion, the groups compare notes. "Much to everybody's surprise," says Copeland, "the mentoring the white male gets is different from the mentoring the Hispanic, the woman or the disabled person gets.

"The assumption is that he's going to go further. He's told to go to Harvard Business School and then come back. She may go into a staff position rather than line management. He will be targeted into areas in which talent will be obvious. In a really bad case, she ends up in the secretarial pool."

Copeland says that people don't realize what they're doing until its done. That's when they see they've told Mark to take risks and Mary not to make waves. He's supposed to have lunch with the guys, while she's to work hard to get ahead.

Digital's Valuing Differences programs say that all workers have the need to be valued and they feel most valued when their differences are taken into account.

A Few Corporations Lead the Way to Diversity Training

Digital is known as being a company that has long practiced EEO and affirmative action. Alan Zimmerle, corporate director for EEO, affirmative action and Valuing Differences, chronicles some of the history that led to Digital's commitment.

In the early 1980s, newly hired Barbara Walker began expanding Digital's EEO and affirmative action concepts. Starting with a core group of senior managers, they explored what difference meant to them and what the value of diversity might be. This was the beginning of Digital's diversity program.

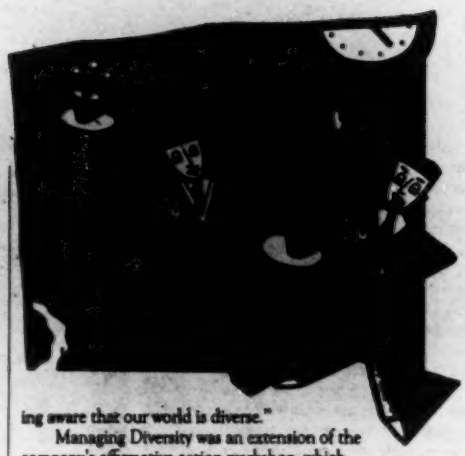
Key to Digital's success is that Walker worked with district managers, who today are the corporation's vice presidents and senior managers.

"They're not only senior in the sense of doing this work," says Zimmerle, "they're senior in the corporation as well. If you have the right level of management early on in their careers, and they take what they've learned with them, it helps with the effectiveness of the program."

With a commitment from management, Digital developed an infrastructure to support the program's continuation. For example, it established AAU (Affirmative Action University) to teach employees how to become leaders in the area of valuing differences.

Digital also developed Managing Differences (now called Understanding the Dynamics of Difference), a program that focuses on a broader group of people to help them understand the behavioral and business implications of a diverse work force. Between 4,000-6,000 people go through the program annually.

The notion of differences is simple. Unlike EEO, the company's Valuing Differences programs say that all employees have the need to be valued and they feel most valued when their dif-



ferences are taken into account, says Zimmerle. "Whereas with EEO we tried to be color blind or gender blind, valuing differences says that we may be different but you don't need to be like me and I don't need to be like you. We need to understand the synergy of our differences."

Zimmerle adds that once employees understand the assumptions they make, they realize that many of those assumptions are false. Then they can begin to understand that people are individuals and build authentic relationships with one another.

A positive outgrowth of this work is the strength individuals develop as they learn more about themselves. "The process empowers people personally," asserts Zimmerle. "From my perspective, this is the hook. You develop a confidence level in who you are and in your ability to deal with a variety of people."

Digital is a multifaceted organization operating in 72 countries. It requires a philosophy of doing business that values differences. The company's approaches to training are customized to different countries and facets of the company. Some key ideas include:

1) Acknowledgement that differences are beneficial to the corporation, not just because it's a good thing to do or because EEO regulations demand it, but because the work force and customer base are changing.

2) Work has to be accomplished through small groups and individuals. Therefore, it requires some training mechanisms to support it.

3) People have to struggle with the work within themselves and also in small groups. These are opportunities for people to take what they've learned through training and, in a safe environment, get them to share what they've learned with co-workers.

A Diverse Work Force Is an Asset at Hewlett-Packard

Hewlett-Packard's philosophy is that a diverse work force is an asset. One component of its effort to realize that philosophy is its training program. Young, project manager of the Managing Diversity training program, explains its origins.

"The need jumped out at us," says Young. "Developing the program represented a natural evolveme. from being a proactive employer to being aware that our world is diverse."

Managing Diversity was an extension of the company's affirmative action workshop, which also took a different direction. The program's focus became worldwide and the emphasis no longer was simply on legal compliance but also on Hewlett-Packard's corporate philosophy.

A flexible program was developed with nine core modules. Although some modules are recommended to all divisions throughout the world, others require adaptation before implementation outside the U.S. Intended for first-line and new managers, a condensed version of the program also is offered for experienced managers. In addition, an executive overview is recommended to all senior managers in the division.

Today, approximately 200 people have been trained to teach the course. The most current program consists of modules on diskettes (for easy modification by instructors, i.e., adding local statistics and data).

Organized around different themes, each module (complete with appendix of resources and bibliographies) imparts the corporate philosophy regarding a diverse work force and examines cultural differences as well as some generic principles about working with people who are different. Included are affirmative action issues that discuss gender, race, disability, age and integration.

This classroom experience can be taught in one, two or three days and in a variety of formats, such as lecture, discussion, videotapes, role plays, simulations, case studies and video analysis. The thrust of the program is to help managers understand how their behaviors are influenced by their individual sociocultural conditions.

DIVERSITY TRAINING

"My goal is to get people to understand that all individuals are different," says Young. "Culture, gender and race are important factors that contribute to the individual difference, but that is only one of many factors that contribute to the unique individual. Start by asking people what it's like to work with people who are just like themselves. Then, ask them what it's like to work with people who have a different approach. For example, they might have a different style — they might approach a problem with greater intuition and not so much task orientation."

Most individuals acknowledge that a team can be stronger if it's made up of people with different learning styles and types of genius and creativity. They recognize there's richness in diversity, including diversity of style, perspective and worldly experience.

This isn't to say that recognition comes easily. Furthermore, once it does happen, people get into the areas of understanding and coping with those dissimilarities between others.

As an example, one Hewlett-Packard unit discusses values, using proverbs to illustrate how values can be transmitted and reinforced.

Says Young, "We challenge ma[illegible] think about the issues involved if they're ma[illegible] ing employees who come from a culture in wh[illegible] proverb states, 'The nail that sticks out will b[illegible] hammered down.' Compare that to the ma[illegible] own culture that says, 'The squeaky wheel gets grease.'"

The point, Young concludes, "is to get th[illegible] to acknowledge that their culture isn't the cen[illegible] of the universe. This helps with managing di[illegible] and it helps with global thinking."

By the end of 1988, nearly 90% of Honeywell Inc.'s US managers had gone through work force diversity awareness training.[4] Rather than simply presenting the information, executive managers went through an experiential learning exercise in which they worked for two days with the management of *Black Enterprise* and *Ebony* magazines.

That experience was a major crossroad. The executives returned from the experience knowing that the company had to go beyond traditional EEO and affirmative action. It needed to create a more proactive strategy with regard to diversity.

"We wanted to create a culture that causes women, minorities and people with disabilities to thrive," says Barbara Jerich, director of work force diversity. "There are people who also believe it's the right thing to do — morally and socially — but the foundation of the effort is based on sound business purpose."

Similar to other organizations, Honeywell is decentralized. With corporate headquarters in Minneapolis and US divisions in such cities as El Paso and Seattle, it's impossible for one approach to work in all areas. Therefore, the direction and some of the major organizational strategies are established by Jerich, and each division links up with those strategies and adds tactics that address the needs of that particular organization.

An important part of the effort is making sure managers know when they need to take action or a different direction. "We tell them to do some work on surveying their employee population, and then figure out what the issues are and then how to address them," she says.

According to Jerich, the company has experienced a better success rate addressing needs when the employees are asked directly what they need to feel included rather than asking management (which is predominantly white and male) what

employees need. "We try to foster the feeling from the bottom up," she says. "We say, 'Feed us the information and we'll help you supply resources to try to address the issue.' "

Honeywell's program uses a consulting firm as well as the *Valuing Diversity* film series. "Anytime you try to change someone's attitude, it's an incredible task, especially around these issues," Jerich says. "These attitudes have been ingrained in us and never may have been stated. I believe that you get people's behavior in line and their attitude will follow. Exposure to diverse people is a good beginning because it starts to break down some of the stereotypes."

Although there's no one model of training, all diversity training at Honeywell rests on four major strategies:

- Management development — increase the visibility, understanding and commitment to diversity throughout global Honeywell
- Organizational development — promote an equitable work environment that values diversity
- Talent development — obtain horizontal and vertical integration of diversity throughout all functions
- Individual development — empower individuals to help reduce barriers to reaching his or her full potential.

McDonald's Employees Enhance and Build on Cultural Differences

With its 11,000th restaurant (75% franchised) soon to open in Hong Kong, McDonald's is a major multicultural employer. Its employee profile runs the gamut of ethnic, racial, gender, age and disability.

According to Monica Boyles, past director of the firm's Changing Workforce program, McDonald's approaches the issue from many avenues. The company has done a great deal of research outside the organization, working with major universities to gather cultural data.

"We teach cultural data from a value-added point of view so our management people can see how they can work in a diverse environment — from an employment perspective as well as customer base — and we make that work for them so it translates to sales and profitability," says Boyles.

An unusual aspect of McDonald's is its programs for mature and disabled workers. In addition to its commitment to hire, it offers specific training programs.

Many of the career development programs are designed for different minority groups. Developed for management-level employees, these programs are devised to enhance and build on the cultural differences that exist within the group. Such training enables them to be successful at McDonald's and bring their individual identities to the company.

McDonald's also offers individual career development programs and general management training programs that see diversity from a value-added viewpoint. The program's content is adjusted to meet the needs of the group.

Since the late 1970s, top-level executives are the first to attend the programs. "We believe that unless the bosses understand what it is, how it works to the company's and individual's advantage, there's not a lot of sense in taking time with the individuals just coming into the company," says Boyles.

Although the basic programs teach the do's and don'ts as they pertain to EEO, the discussion becomes more specific when talking about McDonald's approach to affirmative action with its value-added philosophy. The sessions, which generally run 2 or 2½ days, use role play, facilitation and films. In addition, some case studies are videotaped so participants can see how they communicate.

"We get into specifics," says Boyles. "We take people through our affirmative action policy: what it is, how it works and what their role is. Everybody is accountable to do something. Then we get into case studies as to what it looks like, what you're supposed to do, how to manage diversity, what it means to you and how it helps you do the job better. We also get into some of the more legal aspects of dealing with diversity."

An unusual aspect of McDonald's is its programs for mature (McMasters) and disabled (McJobs) workers. Not only is there a commitment to hire, the company offers specific training programs.

McMasters, for example, offers The National Seminar for Supervisors. This workshop, developed with the National Association of States' Units on Aging, is designed to promote greater understanding of older workers. Facts and fallacies

as well as ideas about recruitment and retention of this work group are examined. To reinforce and extend its use, the workshop is available on videotape.

PROCTER & GAMBLE TAKES FULL ADVANTAGE OF ITS DIVERSE WORK FORCE

Procter & Gamble attacks the diversity challenge via another set of corporate guidelines. All its 44,000 US employees start at entry-level positions. Furthermore, the company only promotes from within its ranks. Thus, a dwindling future labor pool will be felt acutely.

To make sure the company gets and retains a rich mixture of people from whom to choose, it aggressively recruits at historically black as well as predominantly white schools, says Lynwood L. Battle, manager of corporate affirmative action.

"We make no apologies for making this a competitive issue," says Battle. "When it gets right down to it, the companies that are going to survive and thrive in the next century are the ones that take full advantage of their work force."

Procter & Gamble began examining the multicultural work force in the early 1970s when it opened a division in Albany, Georgia. At that time, the company promised that the work force would reflect the community, which was approximately 40% minority. According to Battle, they were able to achieve that goal through "tough community work and support."

About 10 years later, the company started moving toward a multicultural perspective. "We began to look at the strategic advantage — the competitive edge — we could accrue from all the diversity that we had working for us," says Battle. "Talent comes in all colors and both genders. We don't want people to feel they need to leave some part of themselves at the door because it may clash with an internal value."

Training is only one facet of the company's program. As seen in other companies, Procter & Gamble's commitment is realized in many other programs as well. "If you put everything at the altar of training and it flops (because of the kind of trainer you use or something is wrong with the content), training is blamed," notes Battle.

Upper management, he says, also reflects the diverse mix at the lower levels of the organization. Currently, about one-third of Procter & Gamble's managers are women and minorities.[5]

The company's program is organized around four basic leverage points:

- Leadership (including such tools to guide the personnel actions of managers as performance appraisal instruments)
- Development (from recruitment to career

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progression, training and mentoring relationships)
- Support (conferences for women and minorities)
- Continual improvement and assessment.

These specific training programs are a cafeteria of offerings. They range from small group presentations, exercises, problem solving and role playing to the Copeland Griggs film series.

AVON'S CORPORATE CULTURE HELPS WOMEN AND MINORITIES MOVE UP THE LADDER

Instead of looking at diversity training as a program, Avon Products' Director of Multiculturalism Snipe sees it as a process of moving from a "monoculture to a multiculture."

At the earliest stages, upper management support and guidance is instrumental in the multicultural movement. For example, Avon's Chairman of the Board and Chief Executive Officer (CEO) Jim Preston played a key role and set the program's tone while he was executive vice president.

By the mid-80s, the company's Minorities and Women's Participation Council included the CEO, division presidents, chief human resources people and legal people. "The aim was to look at how the corporate culture might act as an impediment to the movement of women and minorities through the upward mobility swing," says Snipe. "From that standpoint, we looked at how to help change that environment."

Because 73% of its managers are women, Avon is sensitive to diversity-related issues.[6] One component of a recent two-day workshop dealt with the negative assumptions people bring to experiences with people unlike themselves and how those ideas block interaction and communication.

An example of a negative assumption is assuming an individual is a particular way because of the clothing he or she wears.

"Just because I dress in drab gray and you might have a flashy tie doesn't mean you're flashy," notes Snipe. "It just means that within your cultural background that's the way people dress. If you realize that it may be cultural — that it isn't wrong — it helps ameliorate what might be considered a stereotype.

no key ingredient, which is present at Xerox, is commitment from the top ranks. Policy decisions must be made that give meaning to the training courses.

"If you take the prejudgment out of it and replace that with some understanding of differences, then instead of focusing on what's immediately observable (and therefore block what people actually are saying), you can concentrate on the content and whether that's accurate without coloring it with a prejudgment," concludes Snipe.

EFFECTIVE TRAINING PROGRAMS GET AT THE UNSPOKEN RULES AND EXPECTATIONS

A newly promoted manager sits at his desk pondering a problem. He obviously hasn't followed the required procedure, but he can't figure out what he's done wrong. He's been told many times that he's too reticent, yet he's been taught not to be too visible. He doesn't want to seem too aggressive.

He can't figure out the unwritten rules. For example, who needs a copy of the memo? How does he call a meeting? Is he at liberty to initiate a discussion with a manager three levels above him?

Effective training programs get at the unspoken issues, which are the unwritten rules and expectations of appropriate behavior. Such unwritten laws of the corporate jungle are taught by experienced trainers who are sensitive to group and interpersonal dynamics and have a passion for their work.

To determine the effectiveness of training programs requires both hard and soft data. One key element, which many people say is the fundamental component, is an evaluative instrument.

Xerox, which derives its managing diversity leadership from the top ranks, has been recognized as a pioneer in this field. Its Balanced Workforce Strategy has percentage goals to attain a balance throughout the company. The strategy, which makes managers accountable for meeting goals, calls for annual as well as long-range goals. All objectives are defined clearly and reviewed three times yearly.

The changes since the program's inception are obvious. In a 10-year period, during which the number of employees declined from about 54,000 in 1978 to 53,000 in 1988-1989, there was an in-

crease in women and minorities throughout the company:[7]

- Total women in 1978 — 29%; 1988-1989 — 32%
- Total minorities in 1978 — 18%; 1988-1989 — 24%
- Female managers in 1978 — 10%; 1988-1989 — 20%
- Minority managers in 1978 — 11%; 1988-1989 — 19%
- Female professionals in 1978 — 18%; 1988-1989 — 29%
- Minority professionals in 1978 — 12%; 1988-1989 — 20%
- Female salespeople in 1978 — 22%; 1988-1989 — 41%
- Minority salespeople in 1978 — 17%; 1988-1989 — 21%.

These figures illustrate Xerox's success at facilitating women and minorities in upward mobility. They're cracking the glass ceiling.

"The growth in our respresentation is attributable directly to the Balanced Workforce Strategy," says Ted Payne, manager of corporate affirmative action and equal opportunity. "It's nothing more than a compilation and distillation of Xerox's approach to making affirmative action happen. We set goals and make someone accountable for meeting them. It's that simple."

In the beginning, the early 1970's Balanced Workforce Strategy called for identifying people at the top of the company and reviewing their careers. Next, the key jobs that prepared vice presidents and presidents for their position were identified. These positions were called *pivotal jobs.*

Once identified, Xerox made sure minorities and women were included in the pool for those jobs. That way, when opportunities for advancement arose, this group would be considered along with everyone else, says Payne.

Even so, he's skeptical about training programs. "Work force diversity is the latest fad. I hear everyone talking about it. I'm very suspicious of people who race around, most of them white and male, talking about managing and valuing diversity," he says. "Still, they're very much in charge, sitting at the top and telling the middle what to do to the bottom."

When the dust settles after the conference and there's still not a minority or female in top management positions, including CEO, president or executive vice president, then what happens? "You can have as many conferences as you want, but is anything of any real significance happening so far as viable jobs being filled by minorities and women?" asks Payne. "In my view, you have to take someone and hold them accountable."

Experts agree that one key ingredient, which is present at Xerox, is commitment from the top ranks. It's imperative that policy decisions are made that give meaning to the training courses.

Columbia University's Krauskopf says training helps reinforce policy. She sees it simply as a way of translating policy into practice.

"I think it's a policy issue," says Krauskopf. "There's no question that policy helps promote climate in a workplace. Training as an isolated project over the long run doesn't have as much of an impact as when it's related clearly to the intent of the work site as spelled out by top management. If there's no teeth to training, it need not be taken seriously."

Gerald Jellison, professor of psychology at the University of Southern California, concurs. "There aren't enough incentives for people to follow through. While we tell people they should have a sensitivity to, an awareness of and so forth, there frequently aren't the incentives there to do it," he says. "Incentives could come from upper management through their actions and substantive decisions as rewarding people who do have such sensitivity."

Jellison notes that often such programs emphasize changing peoples' attitudes and increasing their sensitivity without emphasizing an awareness of the importance of the informal incentives that exist in the larger context. These incentives support the former behavior but not the new response.

At the individual level, he continues, pockets of resistance to other ethnic groups almost are tolerated. If the boundaries are to be broken down, companies must have more than a responsibility to give courses. They'll have to intervene and let their

employees know what type of resistance is unacceptable.

Jellison believes people can alter their stereotypes. The traditional notion is that attitudes and values cause people's behavior. These are considered relatively enduring because they were acquired early in life. He suggests looking at the problem from another viewpoint.

"You have to look at it in terms of specific actions," he says. "Instead of talking about the way people *are*, talk about the specific actions you don't want them to do. Instead of people problems, there are behavior problems. When you drop down to the microscopic level and focus in on behavior, you see that there are benefits in the present situation."

For example, an employee says he or she has difficulty accepting a female boss. What does that difficulty" mean?

It means literally hundreds of specific behaviors, says Jellison. "It means that in meetings I interrupt her frequently. It means that when she gives orders, I'm hesitant to carry them out."

"Look at the consequences of my doing that. Does it pay for me, in fact, to be disruptive in the meetings? Does it pay for me to give her a hard time? Frequently it does," he says.

Jellison recommends upper managers should tell middle managers what outcomes are to be achieved in a measureable way. For example, upper managers could say that the company expects zero sexual grievances or minority complaints.

"Specify it as quantitatively as possible," suggests Jellison. "Let the person know what behavior you want. Then, tie it to consequences. When the manager comes to you needing a new computer operator or more budget, you wait for these times and say, 'I'll be glad to give that to you...and there's something you can do for me. I'm concerned about the number of reports we've had. What I'd like to see is X number of reports.' Or, you could say, 'The next time Judy tells jokes about Puerto Ricans, I would like you to tell her that nobody finds these jokes funny.' "

Upper management should say what outcomes are expected and how they're to be achieved. For example, the company expects zero sexual grievances.

According to Jellison, the manager or leader has to figure out what subordinates want. They also should make getting those things contingent on their behaving in the desired way. He advises that managers should think about who gets promotions, who gets pay raises and who gets appointments to important committees.

Jellison underscores another need for training: stress on managers. "This can be a time of anxiety," agrees Krauskopf, who says that for two reasons, most employers need more than a short-term program to help managers.

"First, nobody likes change and second, managers know they're responsible for the productivity of the employees working for them," says Krauskopf. This means that managers may have to be sensitive to some issues to which they're unaccustomed to paying attention.

Even so, Digital's Zimmerle is optimistic. He's finding that in corporate-wide meetings, people now raise questions about the impact of a decision on the company's valuing differences perspective.

"I believe people can identify their prejudices, begin to understand them and then work past them," he says. "It's a process; it doesn't happen overnight. It is, however, a process people go through." ■

Footnotes

1. From the *Valuing Diversity* video series, Copeland Griggs Production, Inc., San Francisco, CA.
2. From "Agenda: 28," Xerox Corp., March 1988; Gale, T., "Capitalizing on Diversity," *Honeywell World*. April 1989, p. 6; Copeland, L., "Valuing Diversity, Part I: Making the Most of Cultural Differences at the Workplace," *Personnel*. June 1988, pp. 52-60.
3. Johnston, W.B., and Packer, A.H., *Workforce 2000: Work and Workers for the 21st Century*. Indianapolis, IN: Hudson Institute, June 1987.
4. Gale, T., "Capitalizing on Diversity," *Honeywell World*. April 1989, pp. 6-8.
5. Smale, J., "CEO Column," *Moonbeams*. April 1988, p. 3.
6. "The 50 Best Places for Blacks to Work," *Black Enterprise*. February 1989, pp. 73-91.
7. Data from Ted Payne, manager of corporate affirmation action and equal opportunity, Xerox Corp.

Charlene Marmer Solomon *is a free-lance writer specializing in human relations and psychology. Her articles have appeared in such publications as the* Los Angeles Times, San Francisco Examiner, Los Angeles Magazine *and* Human Behavior. *She also is the author of several books.*

(Additional attachments are held in the committee files.)

Statement of

Bob Miller
Governor
State of Nevada

I very much appreciate this opportunity to provide my views on rural development to the Conservation, Credit and Rural Development Subcommittee of the House Agriculture Committee. I know that the Members of this Subcommittee give a high priority to addressing the needs of the nation's rural areas. For that I commend you. Your effort to determine how the federal government should fit into a revitalized collaboration with states and localities to strengthen the economies of rural communities is much needed and has my strong support.

Not surprisingly, my perspective on rural development is conditioned by my experience in Nevada. Not every rural area in the United States is similar to the rural areas of Nevada, and it is this diversity among rural areas that I will address first. Following that I will describe some elements of Nevada's approach to rural development and then make some observations about existing federal rural development programs and pending rural development legislation.

In my view the starting point for understanding the problems of rural America and deciding what sort of rural development policy would respond to these problems most effectively is the recognition that what is meant by "rural America" varies greatly from region to region and state to state, and even among different places in a single state. The differences are in some respects as great as that between urban and non-urban.

Two meanings are most often expressed or implied when rural problems and rural development are discussed - non-urban and farming. The first simply states what rural is <u>not</u> and the second points at one kind of non-urban place, ignoring others including the type of rural area found in Nevada.

It is a sign of changing times and improved understanding that most people involved with rural development today realize that rural does not equate with agriculture. A steadily declining percentage of those employed in non-urban areas are employed in the agriculture sector. There are manufacturing dependent rural areas, natural resource dependent rural areas and recreation and retirement dependent rural areas.

For Nevada, what rural most obviously means is a few people spread over a large territory. Fifteen of Nevada's 17 counties are classified as rural; only 17.6%, or 193,000 persons of our 1.1 million population live in those 15 counties, yet they encompass 95,848 square miles. That is about two persons per square mile. If the entire country had the same population density as Nevada, there would be about seven million residents instead of 245 million. If New York City's population density were the same as that of Nevada's rural area, its population would be about 600 instead of seven million. On average, three

square miles of Manhattan contain roughly the same number of people as the 95 thousand square miles of rural Nevada. Mississippi and Iowa, generally viewed as rural states, both have population densities over 50 per square mile. Nevada's, including its two urban counties, is just over nine per square mile.

Although Nevada's rural communities are small and widely dispersed, they are important and they merit a vigorous, effective economic development effort.

There are towns in rural Nevada that are over 100 years old with sixth generation Nevadans living in them. Rural Nevada is the source of nine percent of the world's current gold production. It is also the source of a large portion of a large number of the nation's strategic minerals. While Cowboys and their way of life are a defining myth for America, they are at work in Northeast Nevada and just off the freeway in northern Nevada you can see the ruts left in the earth by the wagons of the West's early settlers, and the points at which horses were changed by Pony Express Riders. The recently created Great Basin National Park in rural eastern Nevada exhibits characteristics of the natural world that are unique. Miners, ranchers, farmers, manufacturers, retailers, resort operators, retirees, craftsmen, Native Americans and the others who live in rural Nevada communities for the most part do so because they want to. Their communities are important to them. They are important to Nevada. They are important to the nation.

A small population in a very large area is the most obvious distinguishing characteristic of rural Nevada and the sparsely populated rural areas of other western states. There are other distinguishing characteristics, however. For example, the federal government owns 87% of Nevada's land area. Federal ownership in one rural county with a population of about 4,000 and an area greater than six states is 98%. Although most of Nevada's rural communities are not agriculture dependent, many are resource-dependent, that is, dependent on mining and ranching. In the case of mining, especially, that has meant a history of boom and bust rather than stability and predictability.

These and related characteristics have led some to decide that the rural areas of the sparsely populated West are so different from other kinds of non-urban areas that they are better described as "frontier" and not rural. Analysis done by Frank J. Popper of Rutgers University demonstrates that the death announcement for the American frontier was premature. Recognizing the importance of this conclusion, members of the National Rural Health Association have formed a Frontier Health Care Task Force. That group uses a population density of six per square mile to distinguish between rural and frontier

counties. By that test 394 counties are frontier and they cover 43% of the nation's land area. Rural health professionals have concluded that the health care problems of the frontier counties are significantly different from those of rural counties. The same can be said for the field of economic development and about a dozen professional groups and associations in other fields are now using the frontier classification to distinguish these areas from other non-urban areas.

(Although Nevada's most distinctive non-urban characteristic is its frontier area, I should note there is considerable diversity among the communities in that area. Some are within commuting distance of the state's two urban areas. Some contain significant manufacturing employment.)

What Nevada's rural communities want is what most other communities want, a stable economic foundation upon which they can build a decent quality of life for those who live there now and for who those will want to live there in the future. The obstacles they face are numerous and substantial. They include remote locations, inadequate infrastructure, difficulties in providing high quality health care and educational programs and a reluctance on the part of private financing institutions to invest in them. How have we organized and acted within Nevada to surmount these obstacles? Every area within Nevada is served by a local development authority. These nonprofit organizations receive funding from the Nevada Commission on Economic Development and generate funding locally from public and private sources. They provide a vehicle for creating a locally-generated development strategy and a tool for carrying it out. They lodge economic development capacity in remote communities that otherwise would have to look entirely beyond their borders for the professional knowledge and skill they need. They serve as a channel through which outside resources can be applied effectively.

Another element of Nevada's approach to rural development is the Silver Star Communities Program. Through this program the State rural development specialists work with the public and private leaders in individual communities to develop local capacity for economic development, to create momentum and directed action toward established community or economic development goals. Through the Silver Star certification process the participating communities develop a comprehensive understanding of themselves. They gain this knowledge by performing community assessments and writing action plans which focus upon four key areas: community development, existing businesses, new business attraction and tourism development.

A third important element of Nevada's ongoing rural development program is the state-managed portion of the Community Development Block Grant. In addition to bringing needed

resources to bear on the problems of rural communities, it has provided a focal point for state-local collaboration and the core of funding around which financing from other sources can be assembled.

Finally, Nevada's rural areas are incorporated into the State's program for attracting new investment. Although there are many reasons why companies do not invest in rural areas, we know that for some types of companies a rural location can be suitable and even a small new company can be a tremendous boost for a rural community. Therefore, when we promote the state as an investment site internationally and domestically, we offer to prospects the choice of rural or urban Nevada.

Based on Nevada's experience with frontier economic development, consequently, it is my view that Federal rural development policies and programs should be varied in the types of assistance offered and flexible in the means of delivering that assistance. In addition, although no policy or program can be completely comprehensive, it is important to realize that the foundations of economic development in urban areas--such as infrastucture, public services, education, transportation and health care--may be in short supply in rural areas.

Unfortunately, in the past federal rural development programs seemed too often to put band-aids on poor and declining areas rather than investing in areas with potential; or, to require that you be beyond help before you can get help. It is important to distinguish between economic development and welfare programs. Both are necessary but they should be applied appropriately. Where there is development potential, resources should be deployed to actualize it for the mid and long-term benefit of a community's residents. Where people's immediate and basic needs are not being met, these problems should be responded to directly. Part of the economic development job is to determine when, where and how to invest and also when not to.

Why should a community have to wait until a mining bust to get economic development assistance? Why not help frontier communities cope with growth now in ways that will assist them to become attractive, stable and more diversified and better able to survive when the bust comes? This perspective on the economies of frontier communities is not factored into the eligibility and project scoring systems of federal rural development programs.

For example, the Farmers Home Administration gives points for income level of the community and the percentage of existing housing that is sub-standard in making decisions about how to allocate assistance. But if people are sleeping in their cars or living in RVs they do not show up in estimates of the income level of residents and their need for new housing is not factored into the calculation. Because the poor in frontier

areas are dispersed widely, rather than being concentrated geographically, tightening up the targeting requirements for the rural portion of the Community Development Block Grant would make it more difficult to address real community needs in non-urban Nevada. And, ironically, when the bust comes, a frontier community may not have an unemployment rate high enough to qualify for EDA eligibility because those thrown out of work are forced to leave quickly as they do not have available to them the support systems available in urban areas.

With the best of intentions and efforts federal program staffs are likely to be remote from rural communities and not likely to have the close and regular involvement needed to understand what the problems are and what needs to be done about them. For example, until this year Nevada's state Farmers Home Administration office was in Salt Lake City, many hundreds of miles from Nevada's rural communities. Now, Nevada's state office is in California but the establishment of a sub-state office in Carson City is expected to provide more rapid and responsive service to rural Nevada. The Economic Development Administration used to have one Economic Development Representative for Nevada's 95,000 square miles of rural territory. Currently, Western Nevada is served by one Economic Development Representative who is based in northern California and Eastern Nevada is served by another who is based in Idaho. The programs of EDA and Farmers Home have been valuable and should be continued. However, the world has changed and we have learned a great deal in the decades since their establishment.

The summary report on a series of working sessions on rural development held around the country last year (Focus on the Future: Options in Developing a New National Rural Policy) stated well what I think should be the bedrock principle of new and revamped federal rural development initiatives:

> Rural development problems are sufficiently different regionally that flexibility is needed in the allocation of additional appropriations. Flexibility must exist to treat rural problems as they exist, where they exist. This suggests the need for discretion to state or local government units in the specific utilization of available funds. It does not imply flexibility without accountability.

In Nevada the proof of this principle lies in the success of the Community Development Block Grant. Block grants work. Although Nevada's frontier communities have benefitted from the resources of the Economic Development Administration and the Farmers Home Administration, the federal assistance that has worked most successfully is the Community Development Block Grant

program. Therefore, I urge that any Federal rural development policy contain a block grant program or provide a means of delivering assistance with features that will allow targeting where it is most needed and using it in ways that will be the most beneficial.

The criteria for targeting such assistance should not be limited to concentrations of low income but should include other criteria that reflect the economic problems and disadvantages experienced by rural communities. Such criteria should include remoteness, significant outmigration, and other structural issues which negatively impact the competitiveness of rural communities. In addition, the assistance should contain a wide variety of eligible uses of the funds, once again to allow the state and eligible localities to put the assistance to the most productive use possible.

A program built along the following lines would work well for Nevada and, I assume, for other states as well:

The State of Nevada, in collaboration with the leaders of its rural communities would develop and submit to the federal government a plan for making rural areas more competitive. That plan might include spending for purposes as diverse as entrepreneurship training, business loans, telecommunications or air service subsidies, education and training for development officials or hospital restructuring. The federal government would be funding the plan and not the projects. The plan should include substantial in-state public and private resources and the tradeoff for flexibility in deciding where to spend money within a state's rural area should be a sliding scale of matching shares.

We are not asking for a free reign with federal funds. I believe it is the responsibility of the states and of local governments, as well as the private sector, to be partners in rural development. In Nevada we have a well-established structure and a record of accomplishment. We do not need funding for its own sake. We need carefully targeted assistance to address very specific problems in real places. That can be done only at the state and local levels. The degree to which matters such as area eligibility, acceptable project types and appropriate development institutions are nationalized in rigid program elements is the degree to which we will not be able to localize effectively the resources delivered.

Before closing, let me comment on several provisions of the pending Senate legislation which I think are promising. The proposed revolving loan fund which includes state government eligibility is basically a good idea. However, it appears that the way in which eligibility is defined might make it of little use as a statewide financing vehicle in states such as Nevada.

Also the type of involvement contemplated for banks is less likely to work in Nevada than in states with different banking structures. The rural capital access program is a good proposal and the emphasis on telecommunications makes very good sense for a state like Nevada with small and widely dispersed communities. Innovations in the use of telecommunications in the areas of education and medical care have been initiated in rural Nevada. Likewise, the diversification assistance proposed for resource-based communities would be welcome in Nevada, assuming that the definition of resource-based included mining and ranching. More involvement by the Extension Service in supporting rural economic development would be welcomed, but only if that meant the infusion of added expertise and not simply the addition of another item to the job description of already overworked Extension agents.

There is much in the Senate bill that warrants serious consideration but there also is room for considerable perfecting to guarantee that when the Congress does act to apply more resources to rural development, more turns out to be better, and that the assistance gets to those who are best able to do what most needs to be done. I salute you for the steps you have taken in that direction thus far and hope that if I may be of assistance in the effort that you will call upon me.

HIGH COUNTRY

RESOURCE CONSERVATION

AND DEVELOPMENT

AREA

400 East Main St., Box #1 Rexburg, ID 83440 Phone: 356-5213

STATEMENT OF
HIGH COUNTRY RESOURCE CONSERVATION AND DEVELOPMENT AREA, INC.
PRESENTED TO
THE HOUSE AGRICULTURE SUBCOMMITTEE ON
CONSERVATION, CREDIT AND RURAL DEVELOPMENT

HEARING AT BLACKFOOT, IDAHO
AUGUST 22, 1989

The High Country Resource Conservation and Development Area, Inc. is composed of eleven counties in Idaho and Wyoming. It's Sponsors and Board of Directors are County Commissioners, City Council Members and Soil Conservation District Board Members.

We do know of the sorry plight of rural america. In our area, many farmers have been foreclosed on. The land, much of it is growing weeds under government control. We need more jobs and training for these people. Some of our small communities have been fortunate to get grants and loans for repairing sewer and water systems, but many have not.

At today's prices, a small town like Salmon, Idaho, with population 3,300 needs 3.7 million just to replace their water system. The monthly water charges are beyond a reasonable amount for Senior Citizen's of Social Security. Either we must have more funding for communities or the new stringent rules and regulations that force them to update their systems needs to be withdrawn.

The Health Services for the public have greatly deteriorated the last three years with closing of the rural hospitals in St. Anthony and Ashton, Idaho. Others are only able to continue with special county funding assistance. Young doctor's will not come to these small communities. The government, a few years ago, would help these young people to pay for the terrifically high costs of their extra education if they would go to the rural areas to practice. But not anymore. They are forced to go where the big bucks are and we are left without.

We feel that rural economic development would be greatly improved if it was under one head. Many feel because the county commission's on some other local board support them, that they speak for rural america. But the Resource Conservation and Development Area's are the only organization that have sponsors from all local units of government which includes: County Commissions, City Council Person's and Soil Conservation District's, all basic grass roots of rural america.

Bonneville	Custer	Lemhi	BINGHAM
Butte	Fremont	Madison	TETON, WY
Clark	Jefferson	Teton	

One hundred ninety-four of these multa-county and regional in nature RC&D areas, already formed and working, have the local leadership to continue beyond the program we are carrying on at present.

The Office of Management and Budget have tried to kill the RC&D program for the last eleven years, but the local people so believe in the program and it's benefits to rural america that they, through their Senator's and Congressmen, won't let them.

Rural America needs help and there are many people who try to help, but there is much duplicated effort, and wasted funds because they don't have to account to the local people, who know what needs to be done.

We recommend that the RC&D concept and number of areas be enlarged to cover the remaining part of rural america and then give them funds to operate without having to fight every state government and large city for the funds to help with rural economic development.

Thank you for this opportunity to give written testimony to your sub-committees on our feelings for the needs of rural america.

William S. Stanger

William S. Stanger
Chairman
High Country RC&D Area, Inc.

RURAL ECONOMIC DEVELOPMENT

MONDAY, SEPTEMBER 11, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION,
CREDIT, AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
LeRoy, NY.

The subcommittee met, pursuant to notice, at 9 a.m., in the auditorium, LeRoy High School, Hon. Glenn English (chairman of the subcommittee) presiding.

Present: Representative Nagle.

Also present: Representative Slaughter of New York.

Staff present: James E. McDonald.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. ENGLISH. The hearing will come to order. Let me say that it is indeed a pleasure to be here this morning in northern New York.

This is the fifth in regional hearings that we are having across the country this summer dealing with the issue of rural development.

The Subcommittee on Conservation, Credit, and Rural Development, began this process back in June when we held hearings throughout the month in Washington, hearing from national groups on this question.

But we felt that certainly we needed to get input from around the country. We wanted to visit each of the regions of the Nation to make sure that we indeed had a good representation of the points of view.

And we also are taking a rather unique approach in legislation. Normally, we find that legislation is drafted and then hearings are held to speak to that legislation. In this case, we wanted to make sure that the legislation reflected the points of view that we found in the hearings. So after this hearing there will be one more field hearing in West Virginia, and then in October the subcommittee will draft legislation. That legislation will be introduced, and we are hopeful that we are going to move that legislation before the adjournment of Congress this year.

We see that the U.S. Senate has already drafted legislation dealing with rural development. They budgeted both the House and the Senate some $300 million in additional funds that were provided

for rural development in this country and the Senate set about in allocating those funds and did a good job and they are proving it.

However, it is my feeling and the members of the subcommittee that $300 million spread across the rural areas of this country, quite candidly, is not going to have much impact.

We felt that we needed to do more. So in looking at all the regional and rural development programs that are in existence in the Federal Government today, and there are over 100 of them scattered throughout the Government, all Government agencies nearly, we felt that we should try to pull these programs together, examine those programs and see if we could not make the existing programs more effective than what they have been in the past. At least the utilization of funds is more effective than it has been in the past.

Those of us on the Conservation, Credit, and Rural Development Subcommittee, of course, only have jurisdiction over the Agriculture Department. But, roughly half of the funds spent on rural development are spent through the Department of Agriculture. It has been estimated somewhere in the neighborhood of $6 billion is presently being spent by the Department of Agriculture. Some of these programs are 50 years old, and have been around a long time.

Some are very new, and so one of the focuses that we will have will be on the question of whether or not we can pool all these programs together to try to weave together a single effort. One that addresses all the problems of rural development, certainly all those that are within the jurisdiction of the Agriculture Committee.

Let me also go on to say, though, that another unusual aspect of the approach that we have made has been the fact that we have not, we have not required our witnesses to address only that aspect that is under the jurisdiction of our subcommittee. We have taken testimony with regard to rural health care, with regard to rural education, with regard to virtually every aspect of rural life. And the one reason for that, very simply, is that we find that rural development requires all the quality health care, quality education, as well as jobs and the other aspects of the economic stability. So they are all dependent upon each other.

By the same token, much of what comes under the jurisdiction of the Department of Agriculture has a direct bearing on our ability to improve the educational system, to improve health care in rural areas, mainly through communications, and through rural telephone systems that we have throughout this country. New technology in the area of fiber optics makes it possible for us to do things quite differently than we have in the past, and quite frankly to give us hope for a much greater quality of life in rural areas than has been the case in the past.

So we are hopeful that once this legislation is drafted, once this legislation becomes law, that we will hold out the promise of a much brighter quality of life in rural America and quite frankly we are hopeful that we are going to see a reversal of the deterioration in the population and loss that we have seen in the past 10 years.

We have been averaging for the past 10 years a loss of some 400,000 to 500,000 people a year leaving rural areas and being

forced to live in urban areas. That is not good either for the rural areas or for the urban areas, because usually when these folks move to the cities, they do not have jobs. They are not able to make contributions as far as the infrastructure and certainly they become dependent upon the social services of those cities.

So it is in everyone's best interest, rural and urban, that we reverse this process. That people be given the chance to live wherever they want to live in this country, and that they be able to have jobs and certainly quality of a way of life.

But it is also of course, a great pleasure to be able to visit Representative Slaughter's district. Louise was kind enough to invite us to come up to New York. She is candid. I have never been in this part of New York before and it is a beautiful area. And certainly I cannot think of an area, Louise, that would be finer in representing the Northeast as far as rural development is concerned and we are looking forward to the testimony. So with that, I want to recognize Representative Slaughter.

OPENING STATEMENT OF HON. LOUISE McINTOSH SLAUGHTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Ms. SLAUGHTER. Thank you, Mr. Chairman. I certainly want to welcome you here this morning to the beautiful Genesee Valley region. Let me first start by saying that, from the outset of my time in Congress, Chairman English has been very interested in the problems of upstate New York. I have always found him someone I could talk with, and someone who was interested in our concerns. The fact that he has come here this morning representing the Agriculture Committee of the U.S. House of Representatives, exemplifies Congressman English's concern and leadership.

I know that many westerners when they think about New York think of cavernous cities, not the beautiful rural areas of western New York. It is as pastoral here, I am sure, as in Garfield or Woodward Counties in Oklahoma.

From my own childhood in Harlan County and Somerset, Kentucky, and through my travels in upstate New York, and in both the State legislature and Congress, I have always been struck by the amazing beauty of America's countryside and the strength of the family and community values which have been nourished in the fertile soils of rural America. Today, we will be discussing ways to make rural communities better able to meet the challenges of the future. However, we must be sure that our plans to enhance the economic vitality of these areas do not endanger the open spaces, the values and the quality of life that so many Americans cherish in their rural communities.

I want to extend special thanks to Chairman English for recognizing that New York and the Northeast, with significant rural populations, should have a voice in the design of a national rural development policy. The latest census figures show over 6 million rural residents in the New England and Middle Atlantic States. New York has the 12th largest rural population in the Nation. And this State has demonstrated its commitment to these rural citizens

by being the first in the Nation to establish a cabinet-level office of rural affairs, and its chairman is with us this morning.

The Subcommittee on Conservation, Credit, and Rural Development is here today to hear suggestions on the Federal role in rural development.

Across the Nation rural citizens are looking for the same things as all Americans, a decent home, a safe and stable community, a chance to support their families, and an opportunity for a better life for their children. Unhappily, over the last decade, rural Americans have had a tougher time than most Americans in realizing these goals.

Rural unemployment runs 30 percent higher and job growth is only one-third of that in urban areas.

Rural poverty levels rival those in central cities and are consistently one-third higher than in metropolitan areas.

Rural literacy, skills training, and high school and college completion rates continue to lag significantly behind national levels.

We all realize that education and skills training are essential to remaining competitive. Smaller rural schools face severe problems in recruiting qualified teachers and in offering the variety of specialized courses available in more densely populated areas.

Parents in Darien or Hopewell may be faced with a dilemma unknown to urban parents. By encouraging their children to obtain higher education and specialized training, they may make their children overqualified for the limited employment opportunities available in their own communities. Too many rural towns have lost their brightest young people in a "brain drain" to urban areas. We must address this problem by designing an economic strategy that increases employment opportunities in our rural areas.

Providing basic health care is another essential, but increasingly difficult task. Rural residents often lack access to quality emergency and preventive medical services as evidenced by the significantly higher infant mortality rates of rural areas. Despite the National Health Service Corps, recruiting and retaining health care providers continues to be difficult. Other Federal policies including lower Medicare payments to rural hospitals exacerbate the problem. Over the last decade, western New York localities such as Manchester and Shortsville have joined hundreds of other communities nationwide in closing their hospitals. The increasing needs of our growing elderly population demand a comprehensive solution to these problems.

We have some exciting initiatives underway in New York which we hope will be models for other areas. Here in Genesee County, the Genesee 2000 project is mapping out a strategy to ensure this county will meet the challenges of the 21st century. At the national level we must strive to provide tools to help communities help themselves, and we must be aware that each locality is unique. There is no one paradigm for rural development which every community can follow. Genesee 2000 is a bold effort to fashion a future tailored to this county's strengths. It charts a unified approach to bolster the county's agricultural base, while expanding its manufacturing, retail, and tourism industries.

Mr. Chairman, I look forward as you do, to hearing the testimony from today's witnesses. I am sure they are going to ably de-

scribe the challenges facing the 30th Congressional District. And before we hear the first panel, I want to give special thanks to Gary Wilcox, who is the superintendent of the LeRoy Central Schools and to Charles Herring who is the principal, for their extraordinary kindness in providing us a place for this hearing today. I also want to welcome students this morning from schools in LeRoy, Pavilion, Elba, and Alexander.

Mr. ENGLISH. Thank you very much, Louise.

Let me also join in welcoming the young people here today. We are very happy to have you and we appreciate you taking an interest in these hearings.

Let me also say, for the record, that for all of our witnesses who testify today, without objection your complete written testimony will be made a part of the record and I hope that you all will summarize your testimony.

We have a very full schedule of witnesses and we want to make sure that we have an opportunity to hear from each and every one of them so if you could summarize, that would be most helpful.

Also, from time to time, and I am sure, Louise, will have some questions we would like to ask. If, however, people insist on reading their statements, obviously that becomes difficult as well. So hopefully, you can summarize and give us the gist of your statement, then we will be able to ask questions.

Also, any others who may want to submit written testimony for the record, who are not testifying here today without objection, the record will remain open for 10 days to receive that testimony. So with that, Louise, if you would introduce our first panelist.

Ms. SLAUGHTER. I am delighted to. Our first panel is made up of New York State officials and includes some old friends of mine headed up by Joseph Gerace, the director of the State of New York Office of Rural Affairs. It is, as I mentioned before, the Nation's first cabinet-level rural affairs department. Mr. Gerace is the agriculture representative on New York State's Job Development Authority, the former New York State Commissioner of Agriculture and Markets, a former town supervisor and Chautauqua County Executive. Dave Pilliod is the director of local government services in the New York State Secretary of State's Office and the director of Appalachian Regional Commission programs in New York State. The office of local government services provides land use training and technical assistance and supports community capacity building projects. Jacqueline Moody is a special assistant to the Commissioner of the New York State Department of Environmental Conservation. She formerly worked on agricultural and environmental issues in the New York State Department of Agriculture and Markets. She is also a former associate director of government relations with the New York State Farm Bureau. Welcome.

STATEMENT OF JOSEPH GERACE, DIRECTOR, NEW YORK STATE OFFICE OF RURAL AFFAIRS

Mr. GERACE. Thank you. I want to extend my appreciation and welcome to both of you for coming here to New York. I take my hat off to you because as you said, Representative Slaughter, very few people really appreciate the fact that New York is indeed a

rural State and that our population of some 3 million rural New Yorkers represents a population that is greater than the population of Iowa and greater than the population of Arkansas, and greater than the population of Mississippi, and many of those other States that are considered rural.

You have touched on many of the issues that I would summarize or want to summarize this morning, or wanted to. But I will not, because you have a great appreciation. I am not surprised, because you did when you served on the New York State Assembly.

In fact you took part in the creation of a commission on rural resources. A commission that exists now and continues to exist in the legislature and cuts across both the senate and the assembly. And you had a great deal in shaping the cabinet-level office that I currently hold. I know you did not do it just to create a job for me. That you did it because New York State needed a cabinet-level advocate for rural issues. I will summarize my statement. I am sure you do not want me to read the 20-odd pages that I submitted.

I want to underscore the critical need for a comprehensive, Federal or national rural policy. There really is not such a policy at the national level. And if I could I would like to suggest that the model that we created in New York be considered and that would be creating an agency whose responsibility would be to see that all other agencies would develop a greater sensitivity to rural issues. There needs to be a comprehensive, national rural development policy coordinated across all agencies and even if I can respectfully suggest it, all congressional committees. So that there is a rural sensitivity that would prompt the question, how will this affect rural areas in America, the 25 percent or so that live in rural areas, every time legislation would come up? The need is there as you have suggested.

When it comes to Federal dollars, about 85 percent of the Federal dollars that come to rural areas are for income maintenance, for welfare, for items of such nature. Contrast that to the urban areas where 50 percent, only 50 percent of the Federal dollars are for income maintenance. That means that not a enough of the dollars that create jobs, that help with the infrastructure, that help rural areas address solid-waste problems, which are crushing rural areas today and some urban. Those are really not addressed adequately by Federal policy and Federal action.

As I have observed, and I observed it when I was commissioner of agriculture, the Federal attitude seems to be that if you develop a farm bill that takes care of the rural area—and you well know that does not do it—does not take care of rural hospitals that are getting an unfair treatment when it comes to distribution of Medicaid dollars. And it does not take care of the farmer's need and other residents' needs for better roads and better schools and better transportation facilities. In fact, we lack public transportation in many rural areas.

I applaud you too for recognizing that New York had the urban image, but the rural areas are hurting. We have 20 counties in New York State, considered to be New York's poor cousins, as it were, whose per capita income is below the national average. As a matter of fact, six of those counties have a per capital income that is lower than West Virginia, average of 15 percent. And few realize

that we have those pockets of poverty in our rural counties. And we do have in those 20 rural counties the loss of educated youth that you talked about. We have a higher percentage of elderly in the rural areas than they do in the urban areas. And a higher percentage of young people, but a lower percentage of people that are working at jobs that pay an adequate amount to pay for the cost of staying in rural areas. You have touched on those and I am just so appreciative that you are here and you will be carrying back the New York and the Northeast message.

You alluded to or mentioned the Senate bill. It is a good beginning, but it does not develop that national policy that cuts across all the agencies on a permanent basis that has each agency salute, if you will, or sensitive to rural problems every time they come up with some legislation.

I would say too, there are some areas that need to be covered. It may surprise many and it has shocked many to know that even in this great State of ours, there are people that do not have electricity. And they do not have electricity because of the high cost of accessing to the nearest electrical line. And in some cases, I have a letter in my files from a farm family who have never had electricity. They live so far away from the nearest line that it will cost them more than $30,000 to get electricity. Now that is unacceptable. I am sure that that is true in other parts of America. So our agency is working, in fact we are participating in hearings before the Public Service Commission to try to come up with a solution that will guarantee that there is affordable electricity in this year of 1989, 1990, for the people who have never had electricity. I am not talking about new developments, I am talking about people who have been living in New York all their lives without enjoying what used to be a luxury but is really a necessity.

So, I will not get into all these other details that are covered by my paper and will be adequately, I am sure, by the others that are here, but just to once again underscore that there is the need for the rural policy. The Governor and the legislature created the office of rural affairs, that is a cabinet-level office, and what we have done is we have created a liaison in each of the agencies. Not a new job, but anointed, if you will, a high level person in each agency who is the rural representative on all issues. And has been a greater emphasis on the rural areas in the department of economic development for example, out of 19 enterprise zones that were created under, while you were in the legislature, 9 of them were in rural areas. And that is because the Governor and the commissioner said, we want the rural areas to get a fair share of the benefits of those enterprise zones. And in the areas of education, and rural health, and transportation, there has been an emphasis on the rural issues. But the State cannot do it alone. It does need the similar pattern of sensitivity at the Federal level.

Last, I want to stress this because the Senate bill dealt with the definition of rural that would have excluded 16 rural counties in New York, including counties that you know very well need attention. Orleans County, and Wayne County. The definition that they had originally and always comes into play with some Federal legislation is that rural areas are areas outside of the SMSA, those statistical areas, metropolitan statistical areas. And those areas do

embrace some rural areas. So, we urge and I know others did, that there be a better definition, and this latest bill does have a better definition. I think it is every community with a population of 20,000 or less. And that would include the 16 counties that otherwise would have been excluded.

As you develop a rural policy, as you develop a comprehensive national policy that cuts across these agencies, I urge you to focus on a definition that will not discriminate against genuinely rural communities.

I will close with it and thank you again for coming here.

[The prepared statement of Mr. Gerace appears at the conclusion of the hearing.]

STATEMENT OF JACQUELINE M. MOODY, SPECIAL ASSISTANT TO THE COMMISSIONER, NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Ms. MOODY. Congresswoman Slaughter, Chairman English, and ladies and gentlemen. It is a privilege to be here on behalf of New York State Department of Environmental Conservation to participate in this process which will play an important role in the future of rural America.

New York, has much in common with other northeastern States, in that rural, represents a very complex concept involving geography and demography. Small towns, villages, farms, and large tracts of forested land intertwine to create a support base for our urban population.

Even among ourselves the Northeast is probably misunderstood in terms of its rural and agricultural component. Often the eastern seaboard megalopolis overwhelms individuals and causes our millions of acres of productive forest, agricultural production, and open space beauty to go unrecognized. It is our responsibility to educate and inform our urban neighbors and decisionmakers that the efforts in rural communities will benefit not only the local communities but also the State and national economy.

Economic development and standards of living vary considerably between the rural areas in New York. Some rural areas are growing and even showing economic improvement while others have stable populations and often lower incomes. A few areas show agricultural strength, but in other situations, the county data shows farms giving way to unmanaged forests and recreational home development.

Orderly development in these rural areas is essential to maintain the resource base; it supports a number of the industries and local community. Forestry, agriculture, the tourism industry, they all will have a difficult time remaining viable in New York State in situations of unmanaged development.

There are four basic issues that challenge us.

One, having employment opportunities of sufficient numbers and reward to all rural residents;

Two, maintaining the infrastructure and public service that is adequate and compares favorably with expectations.

Three, securing prices for commodities and natural resources that are fair; and

Four, protecting an environment that reflects and maintains the desirable attributes of the rural areas.

New York State Department of Environmental Conservation is regularly involved with rural issues and frequently this involves a Federal presence. Changes in rural areas often flow from the Federal programs, such as international trade policies, environmental policies, and programs such as the Federal Farm Price Support Program.

We recognize that this committee is not directly responsible for all programs affecting rural America, but your consideration of those programs and how they interplay is important in developing rural legislation.

New York State DEC, works statewide with legislators, local officials, and private landowners to carry out our responsibility for New York's 18 million acres of forest land. By maintaining this renewable resource the forest product industry will be in a position to prosper. However, trade inequities that are specially onerous to the overseas marketing of finished products must be resolved.

Rural development in great measure includes the recreation and tourism industry. In New York State, the demand for recreational resources has been increasing and is expected to continue to do so. Our efforts to improve fish and wildlife habitat and to create, and enhance wildlife populations have helped bolster local economies.

We have been assisted in this work by Federal programs that we believe are sound investments. Two in particular deserve your attention. And that is the Great Lakes National Program Office and also the Great Lakes Sea Lamprey Program. I think we need to realize that a lot of the local communities, across the State are impacted by this water basin and that programs that maintain and cause the fishing industry to prosper are essential to the rural community. And those two programs are not only of benefit to New York State, but are multi-State and international in nature.

There are other environmental issues that need to be addressed in rural America. Controlling nonpoint source pollution to protect our waterways can be substantially accelerated by funding section 319 of the Clean Water Act, to cost-share practices and design systems to prevent pollution. And these are measures that are essential, in order to protect the resource, however in the day to day managing of an operation, whether it be an agricultural farm or forest, the costs really are not going to show direct dollar returns to the individual. So, assistance is needed.

New York State has moved ahead and acknowledged its responsibility in this area by enacting cost-share legislation of its own. However, this is just a small measure of what is needed.

Air and water quality is an issue which goes beyond local and State boundaries. The sources of contamination are often beyond New York State's direct control and require treatment on a regional basis. More stringent national standards for air emissions contributing to acid precipitation are necessary.

Using a creative mix of programs and responsibilities the department has worked with many small communities throughout New York State through its self-help support system, to install water and sewer facilities at reasonable cost. Federal funding for the self-help staff at New York is being phased out. Our ability to assist

localities meet Farmers Home Administration and other lenders requirements, efficiently help them engineer and install facilities, and meet engineering requirements will be decreased. Federal funding through EPA of staff for outreach programs and technical assistance to communities such as the self-help programs should be considered. This program basically provides technical assistance so that the rural towns can use their local resources to reduce the project costs and construct the essential water and sewer treatment facility at an affordable price.

Finally, I want to urge that all rural development programs seriously consider environmental impact. It will not serve us well if we suburbanize our rural landscape. Improving the economics of agriculture, forestry, and other renewable resource based industries should not be neglected. In addition to helping communities secure the services we must help them protect the amenities that make rural living distinct and desirable. It is encouraging to note that a recent study report on rural development programs clearly recognizes this fact and searches for the distinction between growth and quality. As we proceed we must be prepared to help localities reconcile conflicts between community goals and opportunity impacts.

In summary, a couple of points to be considered: That we really appreciate the opportunity to be here and your willingness to hold such hearings.

First, we are a very small group that is looking out for rural America and we have a large job ahead of us in educating our urban neighbors and decisionmakers about the importance of rural life.

Second, in the areas where there are development pressures, we need to assist communities to plan on that development so that they protect their natural resources in the area that sustain critical industry.

Third, we need to have a program that coordinates across a number of Federal areas so that environmental, agricultural, trade, and so forth, issues are combined and looked at in a comprehensive program of development. Thank you.

STATEMENT OF DAVID A. PILLIOD, DIRECTOR, OFFICE FOR LOCAL GOVERNMENT, NEW YORK STATE DEPARTMENT OF STATE, ON BEHALF OF GAIL SCHAEFER, NEW YORK SECRETARY OF STATE

Mr. PILLIOD. Good morning. My name is David Pilliod. I am representing the local government and am here today to represent Gail Schaefer, Secretary of State, who herself is a farm girl from Scholari County in the Catskills, and sends her best, Louise, to you.

This morning, I will not go on in terms of describing and documenting the problems that are all too familiar and that you will hear more about. I would like to spend a few minutes focusing your attention on some strategies and approaches and opportunities that I think can work. What I would like you to keep in mind, two essential tenets that I will make throughout this presentation.

Chairman English, I think you started to refer to and that is a good policy should follow upon good practice, not the reverse. And it's time now for government to begin realizing that, and begin put-

ting some of that into their actual programs. The second thing is that future investments should bet on the person. I say that not very glibly, because any of you who have known programs, no matter how large or how small, the success of a program is directly measured by an individual person. I have not seen in my 15-year experience in government, in local governments across New York State one program that has not boiled down to a single person.

I think we need to take a close look at our investment strategies and how they relate to the person. You will often see in an RFP at any level of government, and we are as guilty of this at the State level as you are at the Federal level, that the very last item in the RFP very often is when we have received this grant we will hire an executive director or we will hire a person to make sure this happens. That is not going about it the right way.

We should be investing in people who show us that they can do the job. I think this is especially important for the students that are here with us today because essentially I think that we need to invest in very bright, young, enthusiastic people who care about the quality of life in our communities. That is a start toward good government, toward good policy, toward good practice. Unless we do that, we are going to run short no matter how much money we invest and no matter how many programs there are.

In New York, we are fortunate enough to have a very large government structure. At the same time, it is somewhat deceptive when you get down to the local level, because 90 percent of the local officials in New York State are parttime and that is all across rural America. We are talking about people who work a job all day long, who have a family, and then they come home and work, as I will point out, different hours than we in government work. We in government work 9 to 5 or 8 to 5, something of that nature. Local governments work 6 to 10, 6 to 11 at night. We have to address that difference in terms of where we meet and how we interact with each other.

I would propose to you, I will not spend any more time on the self-help support system. That is a partnership that Jackie's agency and myself and the department of health, and the Ford Foundation and many local governments have.

I will just simply tell you that in small towns of less than 5,000 people, I will give you an example in the town of Seward in the Catskills. They had a $1.2 million retail project presented to them and they pulled it off together with their own human resources, some manpower, some even children from the local school making up a map that would be used as surveyors map. It certainly was not used in the final analysis but it was the beginning and got together a water district by having a party at the fire house. They brought a $1.2 million project down to $275,000, and instead of indebting themselves for 30 years, often what happens in infrastructure is that local rural communities indebt themselves so severely that by the time that the facility breaks down they are still not out of debt in setting it up or establishing it in the beginning. That has to change.

I think that you will find that if you take a close look at the cost effectiveness of how we do business in the infrastructure area, that a very practical, down to Earth saving of money can save any-

where from 30 to 70 percent, quite easily. And I will share in my documentation that we forward on between the agencies some of the documentation of this. Right here in LeRoy, for instance, and in let us see, Pavilion, Batavia, Caledonia, and Darien, they are presently doing self-help projects. And they would not have been done unless the community tried to figure out how to use their own resources to do it.

Circuit riders. I will rush through some of these things. I hope you will hear from Tuthill Commission if they come down today. If you do not, I will encourage them to write some testimony to you.

The future in rural New York State, rural America, in terms of government interactivity and success with rural is a link between the professionals at the government level and those people at the community level who are hard pressed to deal with the tremendous kinds of complexities of environment or of the different kinds of health issues that they have to deal with or education issues. There has to be a young, dedicated official who is affordable in terms of the share between Federal, State, and local resources to work as a link between those resources that exist centrally and where the job is done. And the best job is done close to the customer. There is no question that the solutions cannot be arrived at that work at your level or at our level. The solutions have to be arrived at at the local level.

It is a circuit rider and Tuthill Commission has put some into place over the last several years and also Appalachian Regional Commission is now experimenting with this in the southern tier. My testimony will share some of those insights and documentation with you.

Two other points on land use. One of the phenomenon of our rural areas is that many of our urban and suburban neighbors are moving to the rural areas because of the quality of life. At the same time they are bringing some of the amenities that they really needed from the urban areas into the rural. This development often is threatening the quality of life and I am not making a judgmental for one or the other. It is threatening the quality of life of our rural communities. People who have lived there for their entire lives can no longer afford the taxes in those particular communities. People who are displaced by growing small towns are essentially being removed from the services that were right down the block and they have transportation difficulties, et cetera.

I think, we spent years under the IPA program and invested millions of Federal dollars and State dollars in plans for communities on how to set up their community and their policies to ensure their quality of life. At the very point when we set all these plans up, the money dried up and we have not enacted them. We missed the boat there. We have to reinvest in very simple strategies that have been there forever and we talk about them but we do not invest in them in training and technical assistance. With training and technical assistance, you build the capacity of local officials so that they can do the job. I am not talking about tremendous dollars that you would look in our grants programs and say, well, gee, we cannot afford those. We are not talking about tremendous dollars. We are talking about, and I will give you an example in the Appalachian Regional Commission. For every dollar we put into the Ap-

palachian Regional Commission countrywide, $10 is leveraged of either private, State, or other moneys. That is tremendous. We should learn something from those programs that are working.

I will finally say that a way of investing in people is to look not at the programs and not at the needs, but to go back and look at the agencies, people, and I know this must sound somewhat chaotic to do it at a Federal level, but I do not think you have any choice. The Federal level must learn from, as you are doing here, those instances, those people, because the future of solutions is sitting right out here. And what you learn from them, find a way to invest in. I do not think we should be doing any more Federal investment that does not have involved at our level, partnerships.

Do not invest in education and let education deal alone. Make education deal with local governments, with State governments, with extension agents, with farm bureaus. Make sure that you build into your new legislation the requirement that there be partnerships. Then the partnerships will sustain themselves instead of just being isolated one from another or even, pray God this does not happen, duplicatory. We cannot have that.

So I applaud you being here and I wish we had, as all of us do, much more time to interact with you but we will forward and encourage our other professionals in the field to forward information to you at this opportunity. Thank you.

Mr. ENGLISH. Thank you very much.

Let me ask you very quickly. I want to follow up on one of those points that you made. And I think that you are absolutely right. It fits into this question of self-help. In my opinion, there is no way that the Federal Government or a State government, nobody can do it for someone, for a community. They have to do it themselves. We can help. We can lend support, but there is no way that the Federal Government can do it for them. It would appear to me that one of the criteria that we do not require at this particular point is the community itself should be required to do something first. Whether it is putting together plans, trying to determine what it is they are attempting to do, what their future is all about, some kind of indication that they have put some kind of effort into this before they are even considered. Before they even become eligible for some of these programs.

The other thing I wanted to get your opinion on, I agree with that point you are making and I wanted to underscore that, but another question I wanted to ask you, should we look at rural communities as entities? As if, in fact we are going to require something in the community, we are going to require a community to put together a plan as to what it is their intention to do. Where do they intend to be 10 or 20 years from now? How do they plan to get there? Should we then withhold assistance to those communities that are unwilling to take that step? That are unwilling to put together the leadership and are unwilling to put forth any kind of an effort? Should those communities just simply be ineligible for programs?

Mr. PILLIOD. This may seem harsh to communities who are listening, but I do not think there is any question that we need to do something very different than we have been doing. One of the things that DEC and ourselves do in the self-help support system,

is that we do not take on a self-help support community unless, one, they take ownership of the problem; and two, that they then are willing to do something about it.

I do not think that we can say, who. That is wonderful. We are off the hook in terms of the State and Federal Government, in terms of investment. No, I think then we have to creatively invest in that opportunity. One of the problems that we have in State and Federal bureaucracies are getting that opportunity and following it up quickly enough that we fit the building season, for instance, in the infrastructure, in a small rural community in the Northeast, where they only have a couple of months to do something. And when you look at the different loan programs and grant programs that we have established, they are long roads down instead of very brief opportunities.

I cannot tell how often I have gone before local government officials and I said, all right, if you are going to wait 15 years and get $1 million, but this year I can give you $10,000 to start doing something, you would be surprised. There is a whole bunch of people out there who are going to take the $10,000 and they are going to start. And that is the kind of investments that we have to look at and that our different bureaucracies do not allow enough of.

Mr. ENGLISH. If that is the case, then should we look at the community as an investment?

Mr. PILLIOD. Yes.

Mr. ENGLISH. Whether it is on the Federal level or the State level. And look at that community and then we say, well this community here. They have put together this plan and this plan has a chance at success. This community over here, we have already decided that if they do not put together a plan, they are not going to be eligible. But even those communities that do put together a plan, what if it just does not make sense from an investment standpoint? Do we say, OK, we are not going to invest in that community?

Mr. PILLIOD. Well first off, let me say that I think all sorts of plans have been put together and it is not time for plans. The old, I would distinguish between a feasibility study and a feasibility test as scientists do. It is time for us to forget about feasibility studies in a whole bunch of ours.

We have studied the rural problem to death. I would rather us——

Mr. ENGLISH. But the point I am making here, I think you missed my point. I am not talking about another overall feasibility study. I am talking about community, the leadership of that community getting together and deciding what it is they want to try and do for the future, and this is what we are trying to make of it. Now, I do not know about New York, but I can tell you down in my part of the country, you have probably a big bunch of communities real quick right there, because they are not going to do it.

Mr. PILLIOD. OK, but that is far more because of the climate or culture that we have interacted with our governments. Local governments have taken the key on how to solve problems from State governments and from the Federal Government. We have encouraged them to spend years on lists where you just wait and the money will come.

Mr. ENGLISH. Yes, but let me get you to that point first. I am heading in that direction, but the first question is——

Mr. PILLIOD. The first question is, yes. You invest in those people who are willing to take a step.

Mr. GERACE. May I interject, please? I used to be a town supervisor of a country town and quite often those small communities do not have the leadership that you are asking for to develop these kind of plans and exotic ideas. They just do not have it. And so what they need is a local capacity. They have lost their young people and they have lost many of their professionals.

Mr. ENGLISH. The thing that is troubling me, though, and I agree with that. We ought to give them some help to develop those plans if they do not have the ability to do so, but the problem that I have, though, is I think we have a whole lot of rural communities out here that do not have the desire. If you come right down to it, I know we are all assuming, everybody wants to grow and they want to develop and they want to do this and they want to do that. But I do not think that is prevalent. I can tell you a lot of communities down in my part of the country, quite frankly, do not want to change a blooming thing. They are not even sure they want anything to do with the town, much less to develop anything. They will come to you and ask for help to put in a new sewer system for them, a new water system for them. But they are going to be dead 20 years from now, why in the world do they do it?

Mr. GERACE. We recognize and I recognized when I was a town supervisor that the one thing we lacked was information. The Governor recognized that and he asked us to create for a modest amount of money, I think it cost us $17,000, a topic called RAIN, Rural Assistance Information Network, that has on computer every single State and now, Federal program, so that information is there. Fingertip information that a lot of rural communities did not have. And I found in my travels across the State that there is a greater sensitivity to try to solve the problems with a partnership, but what concerns those rural communities that you have identified, I think, is they do not want to get all embroiled in a lot of redtape and conditions and conditions subsequent that cost them more money than it would have cost if they addressed it locally.

Mr. PILLIOD. I would also follow up on what Joe is saying that it is not fair to categorize rural local governments mainly as not being concerned or desire for any change. You are dealing from inviting them to a party at your level that has not encouraged in them any desire. And I disagree. I find in many of the local governments that I go into, the majority, that there is a tremendous desire for change. It does not always, it is not always housed in the typical places that you see. It may be a teacher in town. It may be a water operator. It may be someone who is in the library. It may not be a public official, but then again, it may be. So, I think that the problem is not whether the local governments of the community desires to build up something for its quality of life or to plan for its future, it is that we have invited them into a complex game that makes no sense.

We need to get out of that game and into meeting these people at whatever level you are ab. to do that, and invest in them. And you will find them there. Th ey are there in scores out there. It is

not an issue that they are just waiting, kind of, and they will pass it on to my lawyer. And then you have different levels of government suing each other. That is not happening, if you approach them in terms of saying, how can you solve the problem? Not, here is how I can solve it and so sign on the dotted line.

Mr. ENGLISH. Well, I do not disagree with that. I would agree. You are a good deal more optimistic than I am, and I hope that you are right in that case. Let us take it another step further.

We found the leadership, and they have put together this plan. LeRoy here, wants a General Motors plant. That is what we are going to have to have to develop here in LeRoy. General Motors is not going to be building any plants next year, but that is what their plan is based on and if they get the General Motors plant they are going to be able to do this, this, and this. Without the General Motors plant there is not a heck of a lot that is going to change in LeRoy. So the question comes down, if they have a plan that on the face of it is not realistic, and we have these various scarce limited resources, that is on the State level and the Federal level, should the Federal Government and the State government for that matter, be investors in a plan that you recognize on the surface is totally unrealistic?

Mr. PILLIOD. Not if the local people have to put in a share, they obviously are not going to invest in a bad investment either.

Mr. ENGLISH. Well, but let us, the other part, I am troubled about that. The thing that troubles me is because down in my part of the country we do not have any money to match with anyway. We are broke. And you really get into the situation then of those that have the money, get the money. Those that do not have the money, do not get the money, so the rich get richer and the poor get poorer, and I do not much like that concept either.

But the thing I am getting at is should we have worked into this, criteria issues of determining, well, this is a realistic plan. We have a shot at it. We can go in and develop this community. We can provide them with a sewer system, a water system, this, that, and the other. We are going to invest in fiber optics for their new communications system and we are going to do all these things. Should we insist on that type of approach, or do we continue to do this hit and miss? This community over here wants this and this community over there wants that. Our effort is so diluted, we probably will not have much impact any place.

Mr. PILLIOD. I will give you an example right here in Leroy. This past year, and I apologize for not knowing the business that was ready to pull out of LeRoy because of infrastructure problems, in terms of having water and access to their facility. That is the kind—I would agree with you that the old ideas of cashing in on the million dollar deal or the big deal, the Chrysler plant or whatever plant it happens to be is generally not the way to go when you deal with rural communities because you are dealing with 90 percent of the economy in New York State is small business. And yet that is the area that we cut. It is cut severely at the Federal level. So we should be investing in small business opportunities, in small plans, in small projects, because what we are talking about here is a change in behavior.

The way to change behavior is not to take on the huge project that probably has a 10 percent chance. But take on that small project that has a 50 percent to 75 percent chance of making it and also sustains what is here, first. And then build upon that. What they did was they got together, and through technical assistance here in LeRoy and put together a package that was affordable to them. I think we have to start not from where we got affixed at or we have to build a big plant or do something to develop us. Figure out what is affordable to the community. And once you start there, it gets contagious.

I think you will find local governments, once they see a change in behavior between our levels of government, will start running for the opportunities.

Mr. ENGLISH. Let me again—I agree with what you said. Let me take it another step further. We have an awful lot of programs. There are over 100 Federal programs out there that have something to do with rural development in the Federal Government. We have a bunch of those in the Department of Agriculture. That is the only thing we really have jurisdiction over. We are going to try to work with this committee and see if we can put something together and work in that regard. But if we come down to, with regard to qualifications, requirements of various programs.

We have two different approaches we can take. We can either take the approach that we have to change all of these programs. Somehow roll them all together into a single program, into a single approach which is going to be an interesting thing to see, not to mention the type of turf battles, bureaucratic struggles that you would get into.

Is there a problem with the individual programs themselves, or is it the question of funding for those programs? We have a little budget problem down in Washington these days. You may have heard about it, and so we are very limited with regard to resources. We have x amount of resources, roughly $6 billion in the Department of Agriculture. If we took the approach, and say, come to the State of New York and say, OK, New York's share of that money, this year in loans, grants, guarantees, is x amount. And it is up to the State of New York then to determine, on a priority basis, those projects within the State of New York that are the most worthy, this year, for this kind of assistance. And we allocate out in effect, with credit, grants, and whatever, under various programs and the State of New York could shift that program. It may be housing one year, it may be water another year. It may be something else another year. But you are still on credit. Would that meet the needs and the flexibilities to address these small communities in making some adjustments in these programs?

Mr. GERACE. With the charge that there be a responsibility to reach down to the smallest of the community. The Appalachian Regional Commission is an excellent program and I was part of that as a county executive. But what I found is the most sophisticated in the rural areas, that had the grants people, got the money. The little town that had the willingness, if they had the information, did not have the capacity to get it.

Mr. ENGLISH. Well, I would agree.

Mr. GERACE. I like the idea that you propose here, that you are suggesting the approach, that would allow a State or give a State the responsibility but also the charge that they reach out to the smallest.

Mr. ENGLISH. I would agree with that and I think that would fit in with what I was talking about with regard to training and assistance and support.

Mr. PILLIOD. One caveat I would put to that, and this certainly impacts DEC and department of health. In the environmental arena, there is no question that the challenge before us is to really create statutes and rules and regulations that insure the quality of our environment. At the same time, we need to from the Federal level especially, as we ask the States to enforce those, to have the dollars forthcoming to give the training and technical assistance that would enable the local officials to comply. And so it is fine to say, all right, we will give these agencies at the State level the prerogative, but when you look at the range of things that there are for them to invest in in terms of regulatory, they have very little option available to them because of the Federal statutes for the use of those moneys to put it into training and technical assistance. And I think that is a challenge that you have to look at at the Federal level.

Mr. ENGLISH. Well, like I said along those lines, that may be true. I think that is over here, it is a little different problem, a little different situation. Because we have a Farmers Home Program out here that provides so much in the way of housing and as it stands now we have a pot of so much money that we can spend nationwide on housing. And we have so much we can put into water. We have so much we can put in with the REA.

That does not have anything to do with the problems that you are addressing there and what I am saying is that it is going to be an extremely difficult thing to simply roll all of that together, and say OK, we have all of our power needs, telephone needs, housing needs, and this stuff in one pot, and one program. I do not think you can devise just a single program to change it to that extent. The thing that we might be able to do is to provide, say to the State of New York, so much of this share of the pot and leave it up to the officials of the State of New York, through some kind of system, to distribute portions to all these people. And you might be able to shake it back and forth. In the way, maybe one year you need more money over here for housing. Another year you may need it for some power project that you have, whatever the State of New York, the people of the State of New York determine. It would be their priority for that year after they went through this system of determining exactly what plans to approve with the support and assistance of the experts in development. Which plans have the merit? Which communities really have a good chance of success? That is where they will invest it.

Mr. GERACE. Well, as I said, as long as you can assure there is a way that it gets to those small communities that do not have the capacity to apply for the grants and put them together.

You mentioned that FmHA and Housing. There is a housing need in rural areas and yet New York did not utilize all of the Fed-

eral dollars available for housing through FmHA because these local, because of the investment idea.

It is better for a developer to spend his or her time developing something in a larger community than to fool around with a little housing project in maybe a town of Ripley, or Westfield, or Sherman. And so it takes a while to turn that mentality around. The Federal legislation or regulations rather, prohibited using Federal money for senior housing unless you had I think you had 100 units or more. Well, you are not going to get 100 units in Sherman, or Clymer, or Ripley.

Mr. ENGLISH. Obviously, rural communities.

Mr. GERACE. So, there has to be a way to help the folks in the rural area access money that is already there. I am not talking about getting new money. Access what is there.

Mr. PILLIOD. Yes, I would further that. We had a homeless housing program in the department of social services and 3 years ago they came out with a grant that everyone competed for across New York State, and as Joe pointed out, one of the things that happened in the first year of the grant was that it was mostly areas that had grantsmanship or that had people on board who actually got the grants.

Then they hired a gentleman, I am sure you will not mind me mentioning his name, Owen Goldbar. I do not think he is with DSS anymore, but what he did is he went out directly to the small nonprofits all across the State of New York in rural areas. He was on the road nonstop. I think he is no longer at DSS because his wife asked him to change jobs. And he brought in one year from two approved rural projects, 14 rural projects the second year, that were approved for grants. And the year after that, 30. Simply with her personal interaction with people out there assisting them with the kind of expertise that other towns and larger towns and municipalities have. That is the kind of role in government we have to look at.

We cannot expect rural just simply to pick up and rise to the occasion. We are putting on our bootstraps. That is not fair. We have to be there by their side with the expertise that we have learned over years to assist them. They have the solutions, I think very often, and they are very simple. And it takes a more profound use of our expertise at the local level to match it.

Mr. ENGLISH. Thank you very much.

Ms. SLAUGHTER. Is the self-help program uniquely yours? Did that begin here?

Mr. PILLIOD. Yes. Self-help program is, the EPA is looking at it as a national replication, but we have not heard yet whether it will do it. It looks fairly decent that we will try to replicate it in other States, but yes, it is the first to take place.

Ms. SLAUGHTER. I can certainly understand why it came about, having spent a number of years in the New York Department of State. My job was to meet with local officials in the rural communities and say, "New York State wants to help you and give you some technical assistance." At the same time, we used to help them apply to HUD and other Federal agencies for money.

LeRoy is a great example of what has happened recently and I am glad to see that you are helping here. This was one example in

New York State where we tried to secure housing money from HUD as well as water money. We did not know at the time where HUD money was going. And so I can understand why self-help has come about.

Joe, earlier you mentioned the problems of transportation and isolated rural areas. This has particularly concerned me for some time.

What kind of answers do you see that we are going to be able to give? Is New York State going to be able to meet some of that need?

Mr. GERACE. We are meeting part of that need now. What the Governor, legislature did, provide dollars for counties to coordinate public transportation efforts within their county. And about 27 of our 44 rural counties, attempting to develop plans to coordinate what is there with the public and private sector.

We have allocated, I think the first year, $500,000 and the second year the same. It does need a little more money for the effort to meet the needs of rural areas.

Ms. SLAUGHTER. In New York we have become more self-reliant in many ways because we knew Federal money wasn't always going to be there. State agencies such as yours and the department of state have really "sold" projects and help to all the communities in the State in a way that may be unique. This has made it possible for you to have gained their confidence and to have them understand that you are there to help. Now the communities are more willing to make their own plans and to get involved themselves.

Another barrier to community participation is the cost of having to hire grantsman. Often this money is lost, since your chances were not always that good of getting them. This must be an incentive to instead use that money for projects at home so that the community can actually see a concrete benefit from their money.

Do you find that to be the case?

Mr. GERACE. The answer is yes. I am finding that to be the case. In an effort to meet this local capacity, we are attempting to encourage, no we are encouraging and working with our colleges across the State to create rural service institutes. No new money, no new jobs, as it were, but just to have them mobilize the resources they have on each campus to help address the needs of rural communities around them. Bratworth does a nice job in Orleans County on a teenage pregnancy project, by helping them access and get some Federal dollars out there.

I note you have Dr. Edna Baehre from Genesee Community College, and they are part of becoming our rural service institute network so that they can help access the dollars that are there.

The Federal legislation, that is the Senate bill, does permit colleges and others to apply directly for funds to address the local issues, and so we would encourage that thought as you develop a program.

Ms. SLAUGHTER. Thank you very much.

Mr. PILLIOD. Thank you.

Ms. SLAUGHTER. I really appreciate you being here.

Mr. PILLIOD. Thanks.

Ms. SLAUGHTER. Our next witness is Mr. Bert Morse who is the master of New York State Grange, chairman of the Empire State Council of Agricultural Organizations, a trustee of Cornell University, and on the board of directors of the Tompkins Cortland Community College. He is accompanied by John Lincoln who is the vice president of the New York State Farm Bureau, a dairy farmer from Ontario County, and a member of the agricultural advisory committee for the 30th Congressional District.

Mr. ENGLISH. We will let you lead off today, if you please.

STATEMENT OF BERT S. MORSE, MASTER, NEW YORK STATE GRANGE

Mr. MORSE. Mr. Chairman, Congresswoman Slaughter. I see some students from LeRoy School coming in. This is great because I have had experience in teaching. It is good to see th m being involved in this activity.

It is good to be here this morning and I am Bert Morse, master of the New York State Grange, an organization of 25,000 members, made of up 450 local units as well as 53 county units. Small communities whose jobs are covering a wide range of activity involvement and much of the prosperity and economics of these areas are dependent upon a prosperous agriculture and its related impacts.

After the debacle of Tinanmin Square and the hopes of the Chinese people that had been raised, we are most appreciative of this opportunity to share our thoughts, while at the same time realizing our responsibilities. America is still the land of opportunity.

History shows that the grange has long championed rural America by developing control of the abuses of the railroads, through establishment of the Interstate Commerce Act. The grange has long been a champion of rural education, the Smith Hughes Act, establishing vo-ag education and its sister component in home economics.

Education is still of primary concern especially in light of the decline of the Board of Cooperative Educational Services, otherwise known as BOCES. This has been brought about by the New York State Board of Regents. BOCES plans are needed, and we would ask your help in preserving its integrity.

My remarks are summarized, but I am sure we are willing to provide to you, the depths to support these statements.

Accompanying this is a major decline in vo-ag departments. A good illustration of this is in the county of Cortland, a prime agricultural area. There is now only one partial vo-ag department in our public schools, whereas 15 years ago there were 6. School superintendents lay the blame for this demise on costs of the program and declining enrollment in farms. Considerable evidence is available that these programs are still needed and job opportunities for graduates from these programs are readily available.

Yesterday, I learned of a neighbor farmer having to go out of business because he cannot obtain labor for his farm. A critical problem in New York today.

Adult education through the cooperative extension service, another grange success story, can be a viable service to rural people. We question whether the recent move into more centralization out-

weighs the previous more local, personal attention given before. The extension service has a long record of achievements. Its shared financial support has been a strength, money coming from Federal, State, and local governments as well as individual members who support this program. It also has ability to meet the needs of vastly different people in our rural upstate New York.

Family concerns. Programs in our schools that deal with the growing drug problems must be strengthened. More family involvement could, and should be an active ingredient in the fight on drugs. Homes that are stable, where togetherness is shown, where the youth feel free to talk with parents, where parents take the time to listen has long been a philosophy and a keystone of the grange.

Congresswoman Pat Schroeder, has been speaking out in recent months, on the need of bringing the family together; on the need to foster morality. Strong family units build strong communities. Strong communities are better able to attack problems that relate to each respective community. This could well be a major factor in improving our rural communities.

Energy. Within the month, I have returned from an environmental study on the Northern Slope in Alaska. Much has been said and written about the oil exploration and environment. Oil has long played a part in our industrial growth, our chemical advances, and in research, therefore, affecting our standard of living.

Our memories are short if we have forgotten the oil embargo of the 1970's. The Nation's dependence on foreign oil must be cut. Alternative sources of energy must be developed. On the Northern Slope, rational planning and implementation by industry, government, and environmentalists, has provided viable solutions in developing this resource, and in minimizing the effects on the environment.

In the months ahead, Congress must make the decision to continue this development. Energy sources at reasonable prices are a key factor for agriculture, for rural communities. We do not have a mass transit system, subsidized by government, as urban areas do. Farm production, transportation to places of employment, are major users of petroleum products that have become vital to rural areas. This also has major effects on balance budgeting, balance of payments in foreign trade, key grange policies.

The environment. Environmental issues are calling for attention, the use of pesticides, herbicides, vital to food production, needs policies that are workable for the producer yet offers protection to the consumer. This is possible.

Radical policies, as promoted by small but vociferous groups, frequently gain the attention of legislators, animal rights, for example. Current policies in New York State, as determined by environmental conservationists have proven catastrophic, costly, and unworkable.

Rural health. This issue needs studying. Closing of small hospitals places a strain on rural people. Quality health programs can be developed. Many communities are without health care. Rural health clinics have addressed and provided care for many communities.

The Federal Medicare Catastrophic Program is not working. I will probably be leaving here shortly. Costs continue to rise, people are being denied needed care. Rising costs of liability insurance must be controlled. Socialized medicine is not the answer.

Education on proper diets and nutrition can have a twofold purpose, better health and reduction of surplus food costs. This issue is being addressed by the newly developing grange programs of "visioning," where we are looking into our small communities for their problems and then proposing solutions to tackle them. More needs to be done. The New York State Office of Rural Affairs is also addressing the health issues.

The rising costs of health insurance is a major health issue which must be addressed. Many rural citizens cannot afford health insurance, yet they do not dare be without it. Many people use the services of Blue Cross and Blue Shield. In fact, New York State Grange has a program with Blue Cross/Blue Shield of central New York for its membership. Over the past several years these costs have risen dramatically.

Blue Cross/Blue Shield is a not-for-profit corporation. Yet we note major physical expansion with a new building program. Conservative by nature, the grange questions the superlatives in this building program, if efficiency of operation is not the key. While a beautiful building may be nice, it is not always affordable.

Salaries of top executives is an area that calls our attention. A real service could, and should be rendered to rural people, which would include a study of the health insurance and the accountability needed to maintain a successful program.

Taxation an ever present responsibility but yet continues to take a greater and greater proportion of one's income. Yes, we need the resources, the programs, but as previously stated a togetherness in looking on these issues can go a long way in reducing costs. Americans still favor volunteerism for many projects that can benefit from these services.

As we bring these many issues to your attention, we recognize that there is a price tag. We recognize that resources are limited. Already the ever increasing Government expenditures weigh heavily on the economy, on private initiative, on research, and on the image and feeling of achievements so necessary to this Nation that has been the leader.

Again, thank you sincerely for this opportunity.

[The prepared statement of Mr. Morse appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you. Mr. Lincoln.

STATEMENT OF JOHN W. LINCOLN, VICE PRESIDENT, NEW YORK FARM BUREAU

Mr. LINCOLN. Good morning. Thank you and welcome to western New York. I want to say that I appreciate this opportunity to be here before the committee and I thank Congresswoman Slaughter for her continued interest in agriculture as evidenced by this event today.

Today I am representing the New York Farm Bureau, which is a 23,000-member general farm organization. Farm Bureau today is

vitally concerned about rural New York and about the agricultural industry which plays such a large role in the rural, and overall economy of New York State. That is the reason why I feel great as far as your being here today, to see that New York is more than just New York City. We still have an agricultural industry and rank very well nationally.

As this is a congressional hearing, I will confine my remarks to those Federal efforts which impact upon rural New York. I will be speaking about taxes, transportation, health care, and farm policy. These areas impact directly upon the health and development of agriculture and the rural economy.

First, taxes. To close the Federal deficit gap there are discussions concerning an increase in the Federal tax on gasoline. We have heard anywhere up to 50 cents per gallon. I can hardly conceive of any other measure which will be more effective in retarding rural development than by sharply increasing the costs of transportation for the citizens of rural New York. No buses, trains, or subways exist to replace the automobiles and trucks to transport people and goods in the country. Rural industry and agriculture will both face tremendously increased costs. Why would a business be attracted to a rural community when it cannot afford the price of shipping its products and materials? Any increased Federal taxes on transportation strike directly at rural development efforts. In New York City, which has a low per capita consumption of gasoline, an added tax sounds like a good idea because it will not cost much. In rural New York it is poison. For example, did anyone here arrive by subway? I think we know the answer.

Farm Bureau also wishes to point out the increasing burden upon the property owner in New York as a result of increasing taxes. This strikes a direct blow at the land-based economy of rural New York. The property owner carries the burden of local government services in New York. We cannot afford action by the Federal Government which will work to increase that burden. Using Federal funds to buy land, which will then be taken off the tax rolls, only increases the tax burden to remaining property owners. We are opposed to the American Heritage Trust Act. The business climate in New York for farmers already puts us in an uncompetitive situation with neighboring States. We do not need Federal actions to add to that burden.

The Federal commitment to transportation must be maintained. The ability to safely and efficiently transport goods to market is vital to rural development. Agriculture and all other commerce in upstate New York exists because of road, rail, and water transportation. The public welfare of the State of New York depends upon the ability to move the produce of the country to feed the citizens of the cities.

As we know, agriculture is the dominant industry in rural New York. Federal farm and environmental policies must be designed to encourage a growing and healthy industry, not one choked on regulation. The health of the rural economy depends upon it. Farm Bureau supports a practical environmental protection which balances this country's needs for a productive and profitable agriculture with a concern for the long-term health of our land and water resources.

The use of chemical inputs in agriculture is necessary for modern commercial production. The safety of these practices must be evaluated on a sound scientific basis, not on fear and hysteria. We believe that the proposed Kennedy-Waxman food legislation is flawed in proposing a risk only standard for pesticide evaluation. A standard which weighs both risks and benefits has proven effective and should be maintained. The real concerns on food safety more properly belong with inspection, processing, and handling, and less with production.

Health care. Health care in rural New York is of increasing concern. Quality health services are increasingly distant as rural hospitals cut back. Some measures which need to be addressed include, one, the equalization of Medicare payments between rural and urban hospitals; and two, the maintenance of, and increase in, the tax deduction for health insurance costs for self-employed taxpayers. The current 25-percent deduction ceases this year. It must be extended, and should be increased.

The dominance of self-employee form of business organization among the agricultural community and through all of rural New York has, due to the escalating costs, limited the health care coverage bought by employers for their employees and themselves. Addressing the deductibility issue will aid in improving the health care of rural New Yorkers.

We also look forward to working with the rest of the Congress on next year's farm legislation. It is necessary for Congress to consider the interests of the individual producer, on his own farm, for that is the backbone and the real expertise, of the agricultural industry in New York. The importance of farming to New York's rural development demands the attention of policymakers to the long-term health of New York's most efficient rural production industry.

Farmers in New York, through their Farm Bureau Organization, have consistently supported a market-oriented approach to Federal farm policy. Mandatory production controls, such as quotas, have not been favored. Balancing supply and demand is always a challenge in farming, and New York farmers have overwhelmingly supported efforts to expand markets and to achieve market pricing. The over-order pricing effort through the regional cooperative marketing agency for milk has been a tremendously successful voluntary effort by dairy farmers. These types of producer efforts must be supported and encouraged.

New York can have a prosperous rural future if the productive efforts of its citizens are supported, and not hampered by the actions of government.

And again, I thank you for the opportunity and for coming to us in New York.

[The prepared statement of Mr. Lincoln appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Lincoln. We appreciate that.

I think that all of us, certainly in rural areas, recognize that the No. 1 industry in rural areas is agriculture and that it will continue to be. It is a fact that many of our metropolitan areas have a number of industries, still agriculture is No. 1. But we have found, I think, throughout the 1980's, that there is a growing tendency of

farmers, to take on jobs in town, factories are drawing farmers, really part-time farmers.

We have also found that full-time farmers, whether they be big farmers or moderate-sized farmers, due to low crop prices that we saw throughout the 1980's, those farmers, their children, their wives, themselves, had to take jobs in town to hang onto the family farm. And if there is no job in town, they lost their farm. It is that simple.

So certain rural communities in the past and in the future will depend upon agriculture, depend on good prices. And that, without question, is a major rural development contribution. By the same token we have to recognize that during difficult times, low prices, those farmers are going to be very dependent on those rural communities for jobs in order to keep their farms, so that there is a growing interdependency. And certainly, I think, it has to be understood by farmers, farm groups, that their safety net, if you will, is that job in town. And if there is no job in town, and if we continue to lose populations as we have over the past decade, that safety net will not be there. And that certainly will exacerbate the problem. So I want to applaud both of you and your organization for recognizing the importance of rural development, not only to the people living in rural communities, but to farmers themselves. I think it is very good.

Mr. Morse.

Mr. MORSE. Could I just say one thing that is brought up because of your comments and the reliance upon jobs in small communities? This bodes well to developing new systems of marketing for these part-time farmers. Roadside stands for example, other ways of marketing that are not available to small farmers but are available to the large farmer. A real key point I think.

Mr. LINCOLN. Yes, and I think a couple of comments. We all recognize that agriculture is changing and I think any farmer that does not recognize the fact that agriculture is changing, we know what happens to that individual. And that can be said for anyone else in the whole system. I think we have to look at a broader definition of agriculture and Bert is pointing to somewhat of that.

Traditionally, we have looked at agriculture as being dairy, as being the person who grows the corn and soybeans. Well agriculture is more than that. In New York we have a lot of opportunity for the producer who wants to grow and market directly to the consumer, and that is one avenue. Plus, I think as the previous speaker has indicated, many of our opportunities for rural development and agricultural development lie in the industry that is already here. And agriculture is more than just the farmer producing the food, it is the input system; it is the marketing system; it is the production system; or getting at direct marketing and processing to the consumer. So many times those are the industries that we should be looking to expand in rural New York, and thereby, you keep your agricultural community and your agricultural base. So, to me, it all ties together and we have to look at agriculture as more than just a dairy farm or corn growing in the field. It is an industry and the industry together still employs more people than any other industry in New York.

Mr. ENGLISH. But you would not suggest, would you, that any rural development that we should put forth should be limited only to those farms that might be related simply to agriculture. A job is a job, and if we need a job, why we are not that, we are not going to be picky about who we are going to work for, are we?

Mr. LINCOLN. Well, I might like to suggest that, but I would not suggest that. But I think the point is that probably opportunities for success, as was pointed out previously, may be 50 or 75 percent success for an expanding business that is already here, whereas, trying to attract the GM or somebody else might be pie in the sky.

Mr. ENGLISH. I agree with you. Ms. Slaughter.

Ms. SLAUGHTER. I certainly thank both of you. One common thread in both of your remarks is the extraordinary high cost of health insurance. We are beginning, I think, to struggle with that in Washington and I think it is going to be occupying a lot of our time in Congress. It is brought to our attention almost on a daily basis that there are about 13 million Americans with no insurance at all. Numbers of Americans find that they cannot afford helath insurance any more. Many, particulary the elderly, have cancelled policies that they need. The catastrophic illness bill is the topic of many conversations in the Halls of Congress. And I think it is very important as we wrestle with this problem, as we try to find solutions, that we hear from the people in rural America because we have found that their problems sometimes are unique.

And I thank both of you very much for taking the time to be with us here this morning. I particularly know, John, that this is a busy time of year for you, and I thank you very much.

Mr. LINCOLN. Thank you.

Ms. SLAUGHTER. Our next witness is Mr. Jim Vincent, chairman of the board of directors Farm Credit of Western New York, ACA. He is also the president of L-Brooke Farms in Genesee County and is a member of the 30th Congressional District, agriculture advisory committee. Welcome.

STATEMENT OF JAMES L. VINCENT, CHAIRMAN, BOARD OF DIRECTORS, FARM CREDIT ASSOCIATION OF WESTERN NEW YORK, ACA

Mr. VINCENT. Thank you. Good morning, Chairman English, Congresswoman Slaughter, we are extremely proud to have you here in the garden spot of western New York.

Ms. SLAUGHTER. Amen.

Mr. VINCENT. And we are extremely proud that Louise was able to twist your arm to hold this subcommittee hearing here in western New York, and again, we welcome you.

Ms. SLAUGHTER. Jim, I think one thing he has learned here is that this is not New York City.

Mr. ENGLISH. And she did not have to twist my arm.

Mr. VINCENT. All those stories she has been telling you have been found to be true, we hope.

My name is Jim Vincent. I am a farmer from Byron, New York. With my other business partners, I own and operate a large processing vegetable and grain farm. I also with some of the same partners, own a separate agricultural business that manufactures vege-

table harvesting equipment. We manufacture it right here locally, and sell it throughout the United States.

Today I am appearing not only as a farmer businessman, but also as the chairman of Farm Credit of western New York. Our association is the largest in the Springfield district, the first district. We have in excess of $3 million out in loans, with over 6,000 member borrowers. We service the 16 counties of western New York essentially.

Our Farm Credit association is very aware of the changes that continue to take place in rural New York State. Every year, as previous speakers have alluded to, there are fewer farms and we must continually analyze our operations to insure that our owner members are receiving competitively priced products and services.

The past 2 years we have had major changes in farm credit in western New York. We voted to merge four existing farm credit associations into one association, forming our present Farm Credit-Association of western New York. Because of the 1987 Farm Credit Act, our association membership voted to merge our land bank and production credit associations. So the past 2 years have been a dramatic period of change for Farm Credit of western New York. But still we have one of the lowest operating costs, in our entire district. I think our members as a result, or because of, these mergers are getting the same reliable service that they have in the past. Not only services in the area of credit but our association provides our membership recordkeeping, tax preparation assistance, fee appraisals, consulting services, and credit life insurances. Our goal has been and continues to be, a "one stop" source of credit and related services for our borrower members.

The longer term, Mr. Chairman, these changes may not be enough. The farm sector continues to change, decreasing over time due to urban expansion. We see a lot of urban expansion, even in villages like LeRoy, and in a lot of the communities in western New York. As these changes take place, we feel our Farm Credit Association must continue to change also. If we do not change and go with the flow, as you might say, we will end up being a higher cost provider of credit to our members. We have seen this with Farmer Mac. We feel it has a potential of further eroding what has become our traditional Farm Credit customer base, that is mortgage lending.

I think collectively these forces, a changing market, potential new supplier of agricultural credit, Farmer Mac, cause us to seek new lending authorities for our association. We know that we have to change just as rural America is changing.

As I mentioned at the beginning of my testimony, that beside producing crops, I am involved in an agricultural related business which manufactures harvesting equipment. This business, sir, was started to keep our farm employees busy in the off season. Nevertheless, today it is not eligible for Farm Credit loan, because of current laws. As a result, my businesses are required to deal with two different lenders. This restriction does not make sense in today's environment. If I were able to do all of my financing through Farm Credit, I would benefit from their interest rates and the association and other member borrowers would benefit from having that larger volume spread over their existing cost structure. Diversifica-

tion, or expanding lending authority is only one of the changes that I would suggest. But there are more which are needed to allow our association to better serve agriculture. I have attached those to this testimony and I will not go into them now.

Basically, I think we all agree that what is good for agriculture, is generally good for rural America. Rural America's strength will continue to be its people. Their work ethic, innovative ideas and entrepreneurial spirit are here and will continue to be here. These characteristics have created an unparalleled productive capacity. Farm Credit, if allowed, can provide incentive and expertise to start, and enhance other related businesses, businesses related to agriculture, and can finance the same people who it is financing now, in their new and existing endeavors.

Farm Credit is charged by Federal law to serve all worthy farmers in its territory. This delivery structure is already in place. A new delivery structure does not have to be created. In New York, Mr. Chairman, as you do not find everywhere in the country, Farm Credit is the major provider of agricultural credit.

For Farm Credit to be cost competitive in the future it must have this authority to broaden its lending base, to serve agricultural related businesses and not just farmers. But they must continually be credit worthy activities. And be related to the existing expertise that we have in the system and for the benefit of the system's owners.

For several years I have been a borrower member of Farm Credit and I intend to be a borrower for some time. Farm Credit knows the business of agriculture. It would be unfortunate if Congress does not confer upon Farm Credit the ability to broaden its customer base so that it can continue to be cost competitive.

We in Farm Credit have a real stake in rural America and we would really like to help your committee and its efforts.

If I may, while we have the privilege of having Mr. English here, I would like to briefly mention crop insurance. Mr. Chairman, I have worked on the Commission for the improvement of that program for the past 8 months. Your committee has our report. Better risk management is tied to the benefits for rural America. We need better risk management in rural America. But the program, sir, basically does not need Band-Aids, it needs surgery. Your committee can help with the tough decisions that must be made if we are going to continue to have viability in rural America and its foundation being agriculture.

Thank you.

[The prepared statement of Mr. Vincent appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, and I would say with regard to your comments on crop insurance. I just want to say, Amen. I think it does need surgery, not Band-Aids, and I think you will find that surgery is being performed in the 1990 farm bill. So we do intend to address that.

You were mentioning too, with regard to Farm Credit being able to broaden the lending activities Farm Credit can carry out. You were mentioning agricultural related activities or industries or businesses or endeavors. Why would the circumstances with Farm Credit want to restrict that only to agricultural related businesses?

It appears to me that, as I pointed out to the gentleman that preceded you, we are looking at the situation in which a rural community provides jobs to farmers. There is a direct link and tie that seems to be the growing root of farmers. It is that farmer has a job in town and anything that expands that job and provides that kind of an opportunity to the farmer or his wife, or his children, it does seem to me to have benefited agriculture.

Mr. VINCENT. I certainly would. I think in most of the communities, I think we have a very viable and strong commercial lending base in New York State which is providing credit to some of these small businesses in the rural communities. I think it would be more palatable, at least in New York, if Farm Credit had the authority to go to agricultural related businesses as a start. The point I was trying to make in my testimony was, I think there is a lot of talent and ability out here on the farms of America. As they change and downsize, it would be nice to compliment the existing expertise by starting related endeavors in several agricultural areas.

Mr. ENGLISH. So you are not planning as if there is a shortage of credit for small businesses in rural communities.

Mr. VINCENT. I think its difficulty is in putting the package together for small businesses in small communities. That package lacks the expertise. I know we have a very strong program, at least in most of the counties around us through our industrial development agencies, it is things in this area which I do not think is difficult throughout the country as a whole.

Mr. ENGLISH. Would the Farm Credit System, would you support putting together a secondary market then, for rural communities? Similar to what we did in 1987?

Mr. VINCENT. For rural communities similar to Farmer Mac for small unrelated businesses?

Mr. ENGLISH. Yes.

Mr. VINCENT. Yes, I think that could be supported.

Mr. ENGLISH. Thank you very much.

Ms. SLAUGHTER. Mr. Chairman, in 1987, when Congress was trying to save the Farm Credit System, we were really concerned that our area was going to be swamped in the saving. Mr. Vincent came to Washington and we testified together before the Agriculture Committee and the provisions of the final bill helped us a great deal. Jim, one thing about expansion of Farm Credit. You are talking to a Congress which has just come through a savings and loan crisis and is a little touchy about expanding that kind of credit system. I wonder, and Chairman English could probably answer this better for you, what the chances are of expanding the Farm Credit System in this Congress.

Mr. ENGLISH. Well, I would just simply say that it appears to me that what we are going to have to try to do is evaluate the entire credit system in rural communities. And one of the complaints we have heard is that the Small Business Administration makes loans in excess of $100,000, $150,000. The difficulty is, a lot of these small businesses need something under that. So that is a credit need, probably the loan banks do that, perhaps we could look at some guarantees as a way of approaching that.

Ms. SLAUGHTER. You see that the Farm Credit System has the appropriate rural experience?

Mr. ENGLISH. I think the Farm Credit System is going, in fact I think that is the whole point. We have to ask all of those who are serving rural communities and agriculture to start looking instead of separating the two out. Start looking at it as an entire credit need. And the real question is: Who can do what in performing that task? I do not think that we are going to have a surplus of money to go around. Certainly I think it gets into the question: How much credit we can make available to meet the needs of the rural community? So I think there is going to be more than enough for everybody to have all the opportunities that they want out there.

Mr. VINCENT. I think Farm Credit as an institution, with capitalization requirements by Federal law are required to have 14 percent of our capital. The viability is there, which was not there in the savings and loan crisis. And I think it is an opportunity if we can extend our authority to some related business financing.

Mr. ENGLISH. Thank you.

Mr. VINCENT. Thank you.

Ms. SLAUGHTER. Thank you very much, Jim. Our next witness is Stuart Mitchell, the executive director of Rural Opportunities Inc. Rural Opportunities, Inc. is a 20-year-old private, not-for-profit organization, providing a wide range of services to migrant workers and the rural poor. Mr. Mitchell.

STATEMENT OF STUART J. MITCHELL, EXECUTIVE DIRECTOR, RURAL OPPORTUNITIES, INC.

Mr. MITCHELL. Thank you very much for this opportunity to address this very important meeting. We appreciate the opportunity to briefly discuss our concerns regarding rural New York State's economy and quality of life. As has already been stated this morning, our rural areas are of vital importance to the long-term economic and social stability of our country. Unfortunately, I believe many State and Federal initiatives developed to address the economic and social problems have had a very serious urban bias. Often, rural communities are unable to take advantage of these very important programs because they are designed to address urban problems and give very little or no thought to how they would actually work in rural areas.

Our organization as Ms. Slaughter has mentioned, is a private, not-for-profit multiservice organization. We were established in 1969 for the purpose of providing training and job placement, supportive services, housing development, rural economic development services to farmworkers and other rural poor. We have grown from an upstate New York organization to one which now provides a wide range of services to farm workers and other rural poor in New York, Pennsylvania, New Jersey, and Ohio. We have approximately a $7 million a year budget, 250 employees, and we administer approximately 40 different grants and contracts for the benefit of our clientele in these four States. This last year we served approximately 18,000 individuals in one or another of our programs.

We have a board of directors, 51 percent of whom are governed by farmworkers or their representatives. The balance of our board is made up of representatives from agencies and organizations, both public and private, who are interested in our work. Our organization has always maintained a strong advocacy commitment to the concerns of poor people. We have attempted to speak on behalf of individuals who are confronted by institutional barriers which prevent them from obtaining full access to services and protections available to mainstream workers and their families.

I myself have worked with farmworkers in rural areas since 1967. I have been involved in this organization since 1969, and have been the executive director since 1977. I grew up on a small dairy farm in upstate New York, which is now unfortunately out of business. I graduated from Cornell University, school of agriculture and received a masters of divinity from Colgate Rochester Divinity School in 1970. My entire professional life has been committed to dealing with the issues of concern to workers and their families who live and work in rural areas.

In my testimony I have listed several human service systems which are inadequate, ineffective, and even detrimental to those individuals who live and work in rural areas. I will touch on those very briefly.

Affordable, safe, and adequate housing for those who live in rural areas is a very serious problem. Housing stock is deteriorating. Suburban sprawl is causing housing to become totally unaffordable for low- and moderate-income families. Housing for migrant or seasonal farmworkers has changed very little since I began working 20 years ago and we see more and more rural people becoming homeless each day.

I agree with the Farm Bureau in their statements earlier this morning that the health care facilities are becoming stretched to their limit as they attempt to provide adequate services to rural people including poor people. We see people who are now driving 50 to 100 miles to find basic, primary health care services because rural hospitals and physicians are leaving the areas.

I also agree with the Farm Bureau and their statement regarding rural transportation. It is generally nonexistent and a serious structural problem in rural areas.

In addition, rural child care services are very difficult to develop and support. We see many people with inadequate child care services available which of course creates major problems for families who require income from both parents.

Public school systems in rural areas are underfunded, because of very unequal and unjust distribution of Federal and State resources to rural school systems.

I think it is also important to point out that racism and sexism is very much alive in rural communities. Jobs and housing are often available to white men before they are available to blacks, women, and other minorities.

As I stated above, all of these issues and others, impact on the quality of life and the future of our rural communities. However, I would like to take this opportunity to comment on one area which I believe is a particularly serious problem.

We are finding that we must question the political strategy that the Farm Bureau and others have developed over the years to exclude farm laborers from the protection of labor standards in the industry have become the very millstone which is causing the industry serious, serious problems.

I would like to state a few facts if I could. We see farms disappearing daily. In the years 1982 to 1987, in New York State, there was a 10.5 percent drop in farms. Sixty percent of the New York State farms are smaller than 200 acres. The average U.S. farm is 462 acres. The average age of the farm operator/owner is about 50 years. Full-time hired labor has increased 6.5 percent between 1978 and 1982, and certainly is still increasing. The number of farm operators decreased 7 percent between 1978 and 1982. That farm operator workforce remained 99.7 percent white and 94.4 male. In 1982, there were 25,500 full-time farm operators in the State. We know that only 2 percent of the Nation's workers are in production agriculture. We have seen farm income increase nearly 133 percent over the past decade. Yet there is a great deal of out-migration. Many, many workers are leaving rural areas and going into suburban and urban areas. Rural unemployment is 33 percent higher than urban unemployment. Rural poverty levels are 33 percent higher than urban areas and rural income per capita is 25 percent lower than urban areas. We also see that Federal expenditures in rural areas was $2,500 per person in rural areas, and $3,200 per person in urban areas. Teenage suicide attempts are 20 times higher in rural areas than urban areas. The high school dropout rate is higher. The list can go on. In grades, 9 to 12, agricultural enrollment, in their agricultural education programs is declining by nearly 1,100 students per year in New York State alone. The FFA chapters are decreasing by 7 percent a year, and the FFA membership is decreasing by 330 individuals per year.

I am particularly concerned about the production sector in agriculture. The food processing and other agricultural related services seem to be quite profitable, however, without a product they will soon be out of business. I believe production agriculture needs to radically change their response to the economic pressures they are experiencing. The past attitude of, eat what I grow or starve, is no longer acceptable to consumers.

Environmentalists are no longer willing to accept the old chemical use practices of the industry. Suburban neighbors are becoming actively involved in rural issues which have a direct impact on the ability of the industry to coexist. Farmers are finding themselves in the minority regarding many issues in the changing rural communities. There must be a new and much more cooperative working relationship established between the farm and the nonfarm communities.

One of the most important arenas which must be changed by the production sector, is their treatment of farm laborers. Approximately 100,000 people work full or part time in agriculture in New York State as workers. This is where public policymakers play a very critical part in the future of the agricultural industry. As obvious as it is to you and me, it seems that the production agricultural leaders do not see any connection between their labor practices and their growing shortage of qualified and skilled workers.

Their very efforts to exclude farmworkers from protection of the basic labor standard regulations, has now resulted in a creation of an industry which has developed the reputation of having one of the poorest set of working conditions of any industry in our country. As soon as any intelligent and competent farmworker has an opportunity to move to another job they will go because there is nothing that will keep them "down on the farm."

If production agriculture is the backbone of the agricultural industry, and I do not think anyone would dispute that, and if agriculture is important to the economy of rural areas, then it stands to reason that we must concentrate our efforts on addressing those structural problems which exist within the production agricultural sectors. The difficulty I have with the public policymakers is that we seem to apply a different set of standards when we are confronted with the dichotomy between what the agricultural industry says are solutions for a stable labor supply with what the reality is in every other sector of our economy. I have attached a list of protections vital to the well-being of farmworkers and I believe, to agriculture. You will find those in my packet of material I gave to you.

Exemptions exist for the agricultural industry in nearly every regulation which has been established by the New York State Legislature and by Congress to protect workers from abuse in the workplace. Exemptions exist in OSHA, for farmworkers, health, safety, and pesticide regulations, regulations governed by the Environmental Protection Agency and regulations governed by the U.S. Department of Labor. It is my contention that these exemptions, fought for by the leadership within the agricultural industry have become the millstone which is about to pull the industry into self-destruction.

I have also attached a long chart in your packet, which has been prepared by an organization called MET, Motivation, Education, and Training, an organization in Texas. This chart has been developed and is included in a reference guide titled, "Federal and State Employment Standards for U.S. Farm Labor." I have given you each a copy of this reference book and also an information book we distribute to farmworkers. This document has painstakingly documented State by State, those labor standard regulations which govern wages and working conditions for the American workforce. It has identified those protections which in one way or another exclude farmworkers from protection. I believe it is very important that you as public policymakers carefully review this reference book and analyze the real impact of excluding farmworkers from basic protections such as minimum wage, overtime pay, unemployment insurance, disability benefits, child labor laws, and many others.

Nearly every agricultural producer I speak with agrees that significant change must be made in the management of labor in the production sector of our agricultural industry. Everyone agrees that it will be only those farms which can provide a decent wage, meaningful fringe benefits, and safe working conditions, that will be able to attract competent employees. In this period of shrinking labor force, the competition for labor will become even greater. It is obvious therefore, that production agriculture ought to be attempt-

ing to develop policies and procedures which effectively compete for labor in the 1990's. And yet we see the industry leading a fight to exclude workers from every piece of legislation, both at the Federal and State level, which would assist production agriculture compete with other industries in their communities.

The facts are that workers will vote by their feet. As soon as an opportunity arises to find a job which provides decent health insurance benefits, time and a half for overtime, vacation pay, and an opportunity for advancement, they will take it.

The industry is then left with a continual revolving door of unskilled workers who have been rejected by other industries and for whom agricultural work is their only option. Is this any way to insure the future viability of this important industry? Do we want to leave our national food supply up to an industry that is continually struggling to survive with inefficient, outdated, and self-destructive labor practices?

Maybe this current system would have worked in the old days when there was a continual oversupply of unskilled labor who had no other choices but to accept work in subminimum conditions. However, it appears to me that our national economy is going to require that every worker be well trained and productive. Where is the agricultural industry going to find its workers when they have all been educated and learn that they do not have to accept separate and unequal treatment?

It is our contention that the industry, if given the opportunity of a level playing field, will effectively compete for workers in other industries. Unfortunately, I believe the leadership has not been able to see the forest for the trees. You, as public policymakers, at the Federal level, have the responsibility to see the forest and look beyond the short term, self-destructive politics of special interest groups and establish public policy which will insure that this vital industry exists in the Northeast beyond the 1990's.

Many of these problems I briefly described at the beginning of this testimony would be greatly improved if the agricultural industry paid a decent wage and provided reasonable benefits to its workforces. Studies have shown that $2 of our Federal tax revenues are used to insure $1 of production of agricultural commodities, and that number does not even include the indirect subsidies to the industry through food stamps, Medicaid, public assistance, and other benefits required to be used by many agricultural workers in order to survive. It also does not count the incredible inefficiency tolerated by the industry as it attempts to use people who are unproductive.

In this era of no new taxes, and no more big ticket spending programs, I believe Congress should at least require that the agricultural industry be required to support itself in the context of insuring an adequate food supply for the United States and for hungry people throughout the world.

Yes, I do believe that food prices need to be raised. I am not sure that we actually need all of the value added packaging and advertising presently spent by our food processing and retailing industries. Production agriculture has allowed the food processor and the retailer to squeeze them into a position which is untenable for themselves and their workers. Unfortunately, the leadership seems

to be unable to figure out how to stand up to the very businesses which exist only because of their own hard work and sacrifices.

Production agriculture can be competitive. It can be efficient, and it can produce all the food any of us would ever need in our country and for many other countries as well. It is a natural resource which must not be allowed to die. As public policymakers, you have the opportunity and the responsibility to set in motion, new and innovative ways to bring labor policies within production agriculture into the real world of the 21st century. Thank you very much.

[The prepared statement of Mr. Mitchell appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Mitchell. We appreciate your testimony. And one point that you made dealing with the question of programs being designed for urban areas and not related really to rural areas, I think it is a very good one and that is one that we are going to be looking at. I appreciate your testimony. Thank you very much.

Ms. SLAUGHTER. I just have one comment, Stuart. Farmers are, above all, people in business, businessmen and businesswomen who compete for labor. As I heard your testimony, it almost sounded like Harvest of Shame was back with us. Obviously farmers know that they have to treat their labor decently because they want them to come back to work. I did not get any sense from you that there has been any improvement or that there has been any change. One of the things that I hear is that some of the new regulations are causing an extraordinary amount of paperwork for each employee; they require employees to show all sorts of proofs of birth and visas. This makes it more difficult for the people in the farm sector to try to even find employees.

Mr. MITCHELL. Yes, Louise, and my point is that that is no different than the local businessperson in a grocery store, no different from my own business. Every industry has had to do that in terms of the new immigration regulations. The difference is that agriculture has not bought into the same kind of labor practices that other industries have adopted. That is causing us now to become aware of the fact that if we do not have a minimum wage that is the same for all workers, unemployment insurance that protects farmworkers as well as other workers, that they will soon be able not to find workers because they will be going someplace else to work. I think that is happening. And we are seeing that difficult issue of labor shortages in New York. I did not mention this in my testimony, but there are two studies going on now in New York State looking at that very point. The Governor has established a Governor's task force to look at agricultural labor, the training needs and where they are going to find labor in the 1990's, and in the year 2000. It is definitely a very serious problem and I think that you as public policymakers have to look past the frustration that the industry is talking about, and it definitely is frustrating, and question whether we have done something structurally that is causing the shortage of labor to develop. My contention is that we have. The production people are the ones who are going to suffer the most. You do not see it happening in the processing industry because they have to follow the same regulations as all other in-

dustries. You do not see that in retailing. They have to compete. And so it is the agricultural production person who is really getting squeezed out.

And I think it is happening because of some of the things that they have tried to keep in place that maybe were effective in the 19th century, but simply do not work anymore. And as we see a shrinking labor force developing we are going to have a bigger problem keeping workers here. The agricultural educational programs for kids in high school are almost nonexistent in New York State. Where are the people going to come from to be trained to run the farms in another generation? There were seven tech schools in New York that had ag-tech programs. There are now three.

I think it is a very serious problem and to talk about it in the context of only being paperwork is really very short-sighted because they are creating a real noose around their necks.

Ms. SLAUGHTER. Thank you very much, Stuart. Our next witness is Dr. David Brown, acting director of the Community and Rural Development Institute, Cornell University. He is also the associate director of the Cornell University College of Agriculture and Life Sciences Office for Research, the associate director of the agricultural experimental station in Ithaca, and professor of rural sociology. He will be joined by Professor Ken Robinson who is Liberty Hyde Bailey professor of agricultural economics, emeritus, at Cornell University and a member of the 30th district ag advisory committee. Welcome gentlemen.

Mr. ENGLISH. If I could, gentlemen, I want to remind all of our witnesses once again to please summarize your statements. If you insist on reading your statements, quite frankly we are not going to hear all of the witnesses and that would be indeed be sad, so if you would just please help us out in that regard, we would appreciate it. I assure you that all of the written testimony will be made part of the record. Dr. Brown.

STATEMENT OF DAVID L. BROWN, DIRECTOR, COMMUNITY AND RURAL DEVELOPMENT INSTITUTE, CORNELL UNIVERSITY, ACCOMPANIED BY MILDRED E. WARNER, ASSOCIATE DIRECTOR

Mr. BROWN. Thank you very much. I have summarized this and I even practiced it with my wife last night to make sure it was not more than 10 minutes. I would like to state at the beginning that my statement was coauthored with my associate, Mildred Warner, who is also here at this meeting.

I would like to make a few points. I would like to talk a little bit about rural America, a little bit about the rural Northeast, and talk about some challenges that the conditions and the situation in rural America pose for rural communities and rural people. And then say a little something about some dimensions, some directions the policy might take to relate to those challenges.

I think one of the first things to recognize, and this is going to differentiate me to a certain extent from some of the previous witnesses, is that rural America is very different in the 1980's, and 1990's, than it was previously. There has been a wide-scale restructuring of the rural economy. I do not want to underestimate the

importance of agriculture but the plain fact is that agriculture as a direct employer of rural people only employs about 10 percent of rural New Yorkers for example. Now, I am aware of the fact that there are upstream and downstream linked industries with agriculture, but as a direct employer and a direct provider of family income, agriculture is not the principal employer.

For example, in comparison, durable manufacturing employs about 27 percent of rural New York workers compared with agriculture. Now, I do not want to underestimate the importance of agriculture, and certainly in some local areas agriculture is the principal industry, but not generally.

Second, the rural economy is now very highly integrated with both the urban economy and the global economy, so that rural economies are much more impacted and effected by Federal macroeconomic policy, for example. And many rural industries, particularly some manufacturing industries, are involved in very serious competition abroad. For example, textiles and apparel.

Now, having said this about these dramatic changes in the structure of rural economies and rural communities, I also want to indicate that in the midst of this restructuring the defining characteristics of what is rural, small size, specialized local economies, dispersed low-density population, continue to exist, and these conditions impede rural America and rural communities' ability to adjust to the changes that are ongoing.

These changes have created wide-spread economic stress in rural areas in the 1980's. I am sure you are aware of the different conditions in the 1970's, when rural areas were experiencing growth and revitalization. Comprehensive rural development legislation could help rural areas adjust to these changes, and position themselves with respect to the future. Such a policy must recognize a number of things. I think one of the most important views it must recognize is that rural America is very diverse. I think the statements that have been made here today indicate the diversity not only of conditions but of perceptions of conditions. Policies must be flexible enough to be relevant to local needs.

So with that kind of a background, I would like to identify four challenges that I think are particularly salient here in the rural Northeast. First of all, one of these challenges is protecting the environment in an urbanized region. Second, matching people and jobs in a rapidly changing economy. Third, enhancing services which contribute to the well-being of families and individuals, and finally maintaining community vitality.

These challenges are probably not that different here in the Northeast than in other regions, but the highly urbanized and industrialized nature of the Northeast makes some of these more salient in the Northeast than in other areas. But the differences are of degree and not kind.

We see five general directions for Federal policy to help rural communities meet these challenges. I would like to review them very briefly.

First of all, environmental programs should be an intrinsic component of rural development policy. I think this gets left out in a lot of the debate. Growth and development take place on the land. They generate waste, they create competition among resource

users and they put water resources at risk of depletion, and/or of pollution. These impacts should be recognized up front as part of development planning, not later on after the damage has been done.

Local governments need technical and financial assistance to help manage growth and protect the environment at the same time. I think we can have growth and environmental protection in the same package. Clear Federal leadership is important, and flexible programs relevant to local situations are needed. We are not opposed to strong Federal leadership and in fact some mandates, but they have to be administered in a flexible way, permitting the use of appropriate technology, for example.

Second, an adaptable workforce is the key to economic vitality of local economies. The rural economy, as I said before, is changing in response to local realignment, changes in Federal programs and economic policies, and very importantly with respect to technological change. Few workers can expect the skills they bring into the workforce to serve them throughout their careers. Rural workers, as workers everywhere, must be able to adapt to change. Otherwise they will find themselves, as many workers have in the late 1980's, displaced from their present jobs with no usable skills to find other employment.

We feel that investment in human resources is at least as important as business assistance, credit, telecommunications, and the other aspects that are focused on more importantly in the Senate rural partnership bill, for attracting and retaining jobs in rural economies. Now in terms of human resource development we are thinking of a three-pronged approach.

First of all, basic literacy and numerical skills, probably the No. 1 thing that assists workers in being adaptable is being literate.

Second, training and retraining for displaced workers as well as for people currently in the workforce who want to maintain their skill level or improve their skill level.

Third, higher education. The third direction for Federal policy to meet the challenges of the 1980's and 1990's and beyond is that human services build a foundation for viable communities. Rural development is more than just jobs and income. It is also the quality of community life. All the jobs in the world do not make any difference in an area if nobody wants to live there. Health care, affordable housing, basic human services, many of the things that previous witnesses have mentioned are important. And we think that particular attention needs to be paid to those who are less fortunate, who are not able to pay for the services and assistance themselves. The Federal Government should improve the administration of existing programs. We are not asking for big new programs here, we are asking for more effective and efficient administration. Better coordination among existing authorities would help. A review of the eligibility criteria for programs would help. Many present programs have a bias in favor of or against one or another type of area, particularly with respect to rural areas. Someone talked earlier about urban bias in programs. This is particularly important with respect to the eligibility criteria, access to the programs.

Fourth, increased financial contribution from the Federal Government to insure equality among States. Uniform minimum benefit standards would assist persons in many local areas. Perhaps not so much in the Northeast, which has higher standards to begin with, but we are talking here about comprehensive Federal rural development policy. Certainly in Mississippi and Alabama and other places this is a major rural development need.

Fifth, improved access to information and technical assistance can assist rural communities adapt to change. As I said in the beginning of my statement, the rules of the game changed fundamentally in the 1980's and change and not stability is the natural situation. The norm is now change, rapid and frequently unanticipated change. Some present policies and programs are based on outmoded information, so we need greater Federal investment in the rural data base, and in research on the causes and consequences of rural change, to help shape policy relevant to current conditions. Information and technical assistance is also needed at the local level, not just as an input to Federal policy. The land-grant university system, through the cooperative extension system, and in collaboration with State and Federal agencies can provide technical assistance to local leaders, helping them make more informed policy choices.

Finally, rural development policy should be flexible or it will be irrelevant in many local areas. Perhaps I am beating a dead horse here, but rural America is very diverse. Certainly the difference between your two districts indicates the differentiation among rural areas. A lot of what we could propose for rural New York might not fit exactly in rural Oklahoma. So a "one size fits all" type policy is going to miss the boat in a lot of local situations; it is going to be irrelevant or not as relevant as it might be. We feel that a flexible policy would encourage local initiative and innovation, and not put a straitjacket of rigid regulations or mandates on local areas in administering programs. And, we also believe that flexibility would encourage collaboration across levels of government, and among individual communities. Go-it-alone type programs are inconsistent with the economic realities of the 1990's. We need to look more into the local cooperation to build economies of scale, for example, that will support the provision of adequate services in areas of low density. One community might not be able to do it alone, but several working together would have a better chance to provide adequate services, for example, or attract certain types of employers.

In conclusion, we realize that new increases for major funding are not realistic in a time of budget deficits. We have tried to emphasize more effective and creative administration of existing programs with the sensitivity to local needs, and encouragement of collaboration among local governments and among levels of government. However, some new money is needed. I mean that is the sad truth of it. We cannot do all of this for free. Perhaps some of this money can be found through redirection from some present programs that may be down scaling. Housing, human services, education, job training, research, technical assistance, these are some high priority areas that need some additional attention. We feel

that the Federal Government should rediscover its responsibility to assist local areas in meeting these challenges. Thank you.

[The prepared statement of Mr. Brown appears at the conclusion of the hearing.]

STATEMENT OF KENNETH L. ROBINSON, PROFESSOR EMERITUS, AGRICULTURAL ECONOMICS, CORNELL UNIVERSITY

Mr. ROBINSON. First of all I want to thank you for addressing the problems of rural development and your willingness to conduct a hearing in this area so we can express our views. I want to emphasize that while I have been associated with Cornell University for a long time, I am not speaking for Cornell; no professor speaks for Cornell. I am only giving you my own opinions about rural development and the directions I would hope it might go.

First of all, I think that Dave Brown has emphasized the diversity of rural counties. Some are growth areas or are adjacent to growth areas; second homes are coming in and there are counties in which population has declined, even within New York State. Of course it is true nationally as well. Trying to have a program to fit these counties which are growth counties versus those that are declining counties seems to be a very difficult problem to address. And that is why I was particularly interested in your comments about offering a State, possibly a package in which they could decide which way they might need to go. In the growth county you have the problem of conflicts between the old residents and the new residents, the problem of waste disposal coming in and the demands for urban services which is forcing up land prices and, of course, local taxes as well. These areas need help in coping with such problems. For example, they may need some kind of a grant program to help with planning.

On the other hand, the declining counties, and I think you are absolutely right, not all of them are going to have a Chrysler plant or a Ford plant, so you have to accept the fact that out migration has been a fact of life for several generations and is probably going to be for the next generation. We have to train people to prepare for nonfarm jobs and to provide job information. Thus we need diverse programs, we need planning, housing, and different forms of assistance. We need primarily investment in people; that is, in training programs. We would hope that you would develop a package that would enable rural areas to make more effective use of existing programs. I would not like to see a new program added if it is going to subtract from existing programs. That, I think, is a concern of everyone at the present time given the budget crunch in Washington.

The only other comment that I have is on the question of priorities, and I think specifically about the Senate bill and the emphasis on credit. I am a little concerned that there is too much emphasis on credit and not enough on human development. It seems to me in the long run investing in people is going to be a lot more important than investing in what may be marginal economic enterprises. We have had a lot of experience. I think the idea of a pool of funds is desirable. On the other hand subsidized or soft credit does not have a very good reputation either at home or abroad in

the development of projects. You frequently get people into debt. They cannot pay. We run into problems of nonpayment and high costs of administering these kinds of programs. In the long run, if we are to have the choice of where we should put our money, I believe it should be in training programs and human development kinds of activities, such as day care, and even in housing rather than to put so much of it into what may turn out to be marginal economic enterprises.

I also would like to emphasize what Professor Brown and Ms. Warner have said, that there needs to be a differentiation of programs in administration. In many cases the poorest of the poor counties, as you are well aware, do not have the manpower to take advantage of these kinds of programs and that this is, to some degree, an administrative issue. I do not know whether it is a legislative issue, but we find that within counties, as former students have discovered, that rural residents may not benefit from the Food Stamp Program for example, because of their location. They cannot get to the welfare office or they may be discriminated against. There is not always equal access to what programs are available. I do not know how you can address this in legislation, but I hope somehow, either administratively or legislatively, we could provide more equal opportunity for people to participate in the Food Stamp Program.

[The prepared statement of Mr. Robinson appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Dr. Robinson. I appreciate that. Dr. Brown, you hit one point there that I think ought to be stressed on the agricultural thing and it related to the jobs, number of jobs directly related to the number of dollars that come into those communities and that are supported in part by agriculture. Still is and will continue to be long into the future. So it indirectly has a major impact as to what jobs are going to be available, how many local businesses are going to provide and so on. Would you agree with that?

Mr. BROWN. Right. I do not want to get into the business of arguing whether agriculture is the biggest industry. Agriculture is a big industry. It employs a certain number of people, and it has upstream and downstream linkages which generate employment and income. But, the point I was trying to make is that it is differentially important, either from an income or an employment standpoint throughout rural America. There are some areas in which agriculture is clearly the dominant industry. In parts of your State, I suspect it is more the case than in parts of this region.

Mr. ENGLISH. I wanted you to make that point because I think there is very clearly the distinction between direct jobs in agriculture. Just like the number of people who are farming. And our rural communities, the majority of people are not farmers. A very small percentage, even in my State if you are looking at the rural areas, that are actually farmers, the people who live in these rural communities.

Mr. BROWN. That is correct, and I think another important point, and you made this earlier and I want to reiterate it, is that a very high proportion of people who are farmers have off-farm jobs. And also the critical issue here is to look at the farm household, not

only the farm entrepreneur. So if you look at the total income that comes into a household, and look where the sources of those income are, much of the income is from off-farm sources. If we are trying to put together a program that enables people to continue farming, to maintain a presence on the land the off-farm jobs are one way to stabilize local economies. So I think that is an important part of the package.

Mr. ENGLISH. Well, I guess the point that I am trying to make and I have done this with the people in my own State, is that before I put it on the subcommittee I intend to emphasize that part regularly to the people in rural communities that are dependent on agriculture. There are a number of local businessmen who do not seem to understand that they have something at stake in what farm prices are. But for some reason they have disassociated themselves, and besides that, it did not have anything to do with it. It did not matter whether that farmer went out of business or not, because they were good businessmen and somehow they were going to survive. And that linkage in there does not seem to exist. And now taking the role and responsibility they have now with regard to this subcommittee, it is very important for farmers and farm groups to understand what they have at stake. And the linkage has to be established so that both groups understand very clearly that they have a very major interest in what takes place with regard to farm prices and that they pertain to that businessman. And as far as jobs might be available in town, as far as that farmer is concerned.

Mr. BROWN. I do not disagree at all. I think you are absolutely correct.

Mr. ENGLISH. We have gotten into a little bit of it. We pick it up from time to time. We get a little bit of it, get a little bit of it from farm groups. And we get a little bit of it from the others. Somehow they think well, that is nice, we are not really involved in this. I have picked it up from farm groups, and I have picked it up from the other. And we really do not want to depend on agriculture, so we are not really interested in agriculture. We want to shy away from agriculture so we really are not interested in crop prices. Go get me that General Motors plant, put that out. That will create real jobs. That is a real business.

I do not know. I have run across that a number of times. There seems to be that thread that runs through this problem.

Mr. BROWN. I think we are in a very integrated economy in which the linkages among industries are very strong. And going after that General Motors-type plant can be a real problem for many individual rural areas. This is one of the reasons why many, particularly smaller, communities would benefit from additional information and technical assistance, because the records show that many of these communities do not really benefit very much from attracting a big new plant.

In order to lure the big plant, they give away all the benefits that they could hope to achieve. Local governments need to be able to evaluate the feasibility of alternative economic development in other community development options to determine whether or not they are really going to benefit from it or not.

Mr. ENGLISH. I am struck by the fact of how many communities, and it is not really limited to rural communities, but it seems to hit rural communities more than anything else. I am struck by the fact that, how many of them look at rural development and economic development as basically going to some other part of the country, stealing their business, and bringing it home. It is a primary mentality that seems to—that is what economic development is all about and when they get beyond that they are lost, they look at you. So anything that does not do that is really not development. There are just not that many businesses in this country that in a given year are going to be moving some place. I mean, there are going to be an awful lot of disappointed people, and somehow that mentality mind set is relevant.

Dr. Robinson, I wanted to also point out that the thing that we are looking at and I wanted you to address just a little bit further, is this question of flexibility. What I was talking about is from a budget standpoint, we do not have any more money. So it seems to me that one of the ways that we can possibly make the programs that already exist and stretch the money much further than we already have and make sure that it is used more effectively, is to try to work in some kind of flexibility which not only would mean perhaps little mistakes to shift around, it is what kind of programs those credits might be used for or those funds might be used for. But also looking at the individual programs themselves, we had the gentleman from the Farm Credit, Mr. Vincent, talking about the fact that they wanted to broaden out, get a little more authority to do some things that are not presently done, or somebody does it, it probably ought to be adjusted that way. How effective could we be if we take that kind of approach both working and broadening the scope of what some of these programs are able to do and at the same time perhaps, allocating amounts to States and give them the flexibility in departments where they can best use it?

Mr. ROBINSON. I think it is worth doing. I think it is worth considering. States and counties think they are locked is as one individual said earlier. They could not use all of the money because it was so restricted as to how it could be used, and I think providing that kind of flexibility has some merit. I think it is——

Mr. ENGLISH. How far would that go in addressing some of those concerns that you had?

Mr. ROBINSON. Flexibility would not necessarily lead to an improvement. Counties would still look for the GM plant and planning and having an industrial park and that kind of thing. I agree with you, that all cannot win at that game. It is a zero-sum game. No question about that. And I fear that this might happen if you did not, say restrict the funds to certain kinds of activities.

Mr. ENGLISH. The point that I was wondering, let me explore this a little. But the point that I was making is that obviously we only have so much money.

Mr. ROBINSON. Right.

Mr. ENGLISH. And as soon as we find some equitable way, which is doubtful, but as soon as we find some equitable way, say OK, we are going to allocate this out with regard to your State. And the Governor would pull together whether it is bankers or people with power, or whatever, pull together this group and then we have cer-

tain criteria that they have to give evidence as to plans and people determine what they are going to do. But basically, what you have come down to is that then it would be up to that committee to determine where they are going to spend the money. Now things are done, it is a lot different, because you give them flexibility. As far as the Federal budget is concerned it does not make any difference really from a credit standpoint if it is a farmer's home or whether it is open water or whatever it might be. And it is going to vary from year to year but they simply take the best projects they have. That is the thing. You are giving it the best shot you have. Where do you think you can have the most impact? Where is this going to do the most good with regard to rural communities? Is that what you think?

Mr. ROBINSON. Well, it does make sense, it provides more flexibility which I think is desirable. Again you get the problem of the politics of allocating the funds and doing it internally, you may very well find that the rich are still going to get richer. The whole question of competition for funds as you know is one of the games that they play and that frequently the poorest of the poor come out second best.

Mr. ENGLISH. I would address any suggestions with regard to how we can deal with that?

Mr. ROBINSON. That is the dilemma, it seems to me. If you tailored or target these programs in order to achieve that, then you eliminate this flexibility.

Mr. ENGLISH. Of course the other thing, should we be doing this? We have programs at hand now. Basically we are talking about more, I think with what would have to be called social programs or welfare programs that are designed to go off and help and achieve one deal, and on the other hand, if in fact we are trying to get the most out of the resources that we have available to us, we are talking about an investment. So you have really two different purposes here. Where can we maximize it? Which way should we? Should we be trying to do both?

Mr. ROBINSON. Well, I agree. I think you have to tailor or target these programs to a certain extent, and, of course, welfare programs are going to have to continue. I do not think there is any question about that. My only concern there is that you guarantee equal access to all areas to these kinds of programs whether it is job training or housing or day care. These problems permeate all kinds of communities. I do not think you can tailor a rural development program to meet just their needs. I think that one has to develop a program for all areas. The question of rural development is how it fits in with the rest of these social programs and where you are going to get the biggest bang for the buck. That is the thing that you are addressing. I would certainly put some funds into flexible programs on an experimental basis to see how it goes.

Mr. ENGLISH. Dr. Brown.

Mr. BROWN. I would like to comment a bit on this. Not so much on the targeting. Targeting is a difficult issue, but I would like to talk a little bit about the flexibility issue. I think that the Federal Government agencies that administer programs have a responsibility to clearly articulate what the goals of those programs are, and in a quantitative sense, so that the benefits of the programs can be

measured. After that is done, I think that it ought to be up to local authorities to determine the most appropriate way to achieve those goals with the Federal and/or State and local funds that are made available. I think that is the key. For example, in the environmental area, there should be clear targets for the reduction of pollution in ground water. After that point, the appropriate technology—appropriate to the size, scale, and cultural background in some cases of the communities ought to be used to meet the program goals.

In the housing area, I used to work for the Department of Agriculture in Washington. I was there when Alex McCure was the Under Secretary for Rural Development. One of the most durable things that he did as the Under Secretary for Rural Development was to manage to get the Farmers Home Administration to be able to approve loans on houses made with adobe. Now Alex McCure is from New Mexico, where adobe is one of the principal building materials. Up to that time, the Farmers Home Administration would not permit $1 to be loaned by the State Farmers Home offices on a material such as adobe. That is a good example of how you can satisfy the criteria of size and health and whatever in housing with a variety of kinds of materials. And they ought to be the materials that were permitted, ought to be consistent with the local culture, economy, and situation. So I think that there should be clear Federal leadership in terms of criteria and goals for programs, and then local areas should be given a maximum flexibility to administer the programs locally, and in an appropriate way.

Mr. ENGLISH. Louise.

Ms. SLAUGHTER. That is very important testimony. I thank you both. Our next panel will include Gloria Stonecipher, the general manager of the Batavia Daily News, a newspaper serving Genesee and Wyoming Counties. She is also a cochair of Genesee 2000. Neil Burns is the director of the Genesee County Industrial Development Agency. An oil industry executive for 37 years, he is the second cochair of Genesee 2000. Our third panelist is Dr. Edna Baehre, the dean of community services from Genesee Community College.

I think Gloria will speak first.

STATEMENT OF GLORIA J. STONECIPHER, GENERAL MANAGER, BATAVIA DAILY NEWS, AND COCHAIRPERSON, GENESEE 2000

Ms. STONECIPHER. Good morning.

Ms. SLAUGHTER. Good morning.

Ms. STONECIPHER. I am here this morning to tell you unequivocally what we consider to be the most exciting project in the public sector in the State of New York right now is our Genesee 2000 project. I know of no other municipality in New York State taking on this kind of planning project.

Genesee 2000 is taking a page out of corporate America and using those strategic planning techniques developed in the private sector and applying those techniques to the public sector. But the difference between strategic planning and other types of planning is that it is action-oriented and therefore, results driven.

We have been involved in this project now for more than 1 year. We began with a study of the area, called the environmental scan, that I have provided you with copies of.

We have compared Genesee County in the scan with five other western New York counties in New York State and the United States in literally hundreds of different criteria. We studied population trends, housing, education, income levels, infrastructure, government, and all facets of the local economy. Without boring you, Ms. Slaughter, with a lot of statistics, I would like to share with you some of the significant findings of that study.

In population, we found that our local county follows the national trend of smaller households. In other words, fewer people per household. It follows the national trend they call the greying of America. For example, our population from 1970, projected to 2010, during that 40-year span, total population is expected to grow about 11 percent. But during that same 40 years, the 65 and older population is expected to grow 71 percent. And children, ages 10 years and younger will decline by 30 percent.

We found that our local housing is old by comparison and that new housing construction is lowest of all of the areas that we studied. For example, in the United States about 1 out of 4 households is more than 50 years old. In Genesee County, it is twice that amount, or 1 out of 2 houses is more than 50 years old.

We studied unemployment during the 14 years from 1974 to 1987, and have found that of all the areas we studied, Genesee County had the highest or second highest unemployment for 10 of those 14 years.

We looked at our retail sales and found they make a significant contribution to the local economy. In 1982, to the tune of $266 million. But we compared that $266 million to the contribution of agriculture. It contributed in the same year $294 million.

In the agricultural sector, we found that we do indeed follow the national trend of fewer, larger farms. We found that a very small number of farms creates the vast majority of farm sales in Genesee County.

We also studied business establishments and categorized them in terms of numbers of employees. And we found that 86 percent of the business firms in Genesee County employ fewer than 20 people. We found that small business backbone to be consistent with all areas that we studied.

We also analyzed the infrastructure needs of the county and found that we have some serious problems. We discovered that 80 percent of the population of the county or 4 out of 5 people depend on ground water, or wells for their water supply. And that threat of contamination of ground water has to be given serious consideration, particularly at a time when the neighboring county is proposing a landfill overlooking Genesee County.

We examined solid waste and found that to be the most critical environmental concern. We found that all local solid waste currently is being disposed of outside of Genesee County, that there is no longer an active landfill within the county's borders.

In addition to infrastructure, we examined government and found that in a county of 60,000 people, that there are 65 local government entities and more than 4,300 government employees.

The steering committee took all the data that we compiled in the environmental scan and decided on the three most critical issues that this county had to face going into the next century. The most important issues we found to be housing, economic development, and infrastructure.

That steering committee of 25 people wrote goals or mission statements for additional task forces to study. Those task forces, an additional 20 to 30 people were formed for each of these issues. And they have now studied those issues for nearly 6 months. In October, they will make recommendations back to the steering committee. The steering committee's responsibility then is to implement those recommendations, but what we have discovered in conclusion, is that the key to the success of this local project will be to get participation from all levels, from government, business, agriculture, and residents. With that participation, we think that Genesee 2000 will enable the residents of the county to then determine their own future.

[The prepared statement of Ms. Stonecipher appears at the conclusion of the hearing.]

STATEMENT OF EDNA V. BAEHRE, DEAN, GENESEE COMMUNITY COLLEGE, AND CHAIRPERSON, GENESEE 2000 ECONOMIC DEVELOPMENT TASK FORCE

Ms. BAEHRE. Good morning, Ms. Slaughter.

Ms. SLAUGHTER. Good morning.

Ms. BAEHRE. My report will be based on the findings of the subcommittee of the economic development task force of the Genesee 2000 effort.

The task force was charged in the spring of 1989, with determining the needs of the agricultural community and recommending strategies for improvement of those needs.

The task force initiated its work with discussions among its 33 member, community-based group about perceptions of weaknesses and strengths. The detailed results of this discussion are attached in material which has been submitted to you earlier. For the purpose of the presentation today, I will highlight the most important issues.

The first issue which the task force identified was the need to educate the public as to the significance and importance of agriculture. This includes the need to inform about the history, the changes, and the present status of agriculture in Genesee County.

Second, additionally it was determined and subsequently confirmed by farm representatives, vegetable growers, fluid milk handlers, and members of the Genesee County Cornell Cooperative Extension Service, that neither the needs of the agricultural community, nor the opportunities available were understood by the public at large and by young people in particular.

One look at the help wanted ads in the local newspaper attests to the number of entry level openings available in Genesee County on a daily basis. Although the number of job openings is expected to decline by 20.1 percent by 1990, in the Finger Lakes region, farmers are having difficulty recruiting not only for entry level but also for middle- and upper-management positions.

While following the trend with fewer yet larger farms, the 741 farms and 169 farm-related businesses produce $294 million in revenues. Many people do not understand that the farm industry alone provides 3,316 full-time and 1,438 part-time jobs in Genesee County. Thus the need to educate the public about the opportunities available and the economic impact of agribusiness become critical for the survival of these farms and other ag-related businesses.

Recommended strategies, I will discuss in a few moments. Moving on to the third major issue which the task force identified. All agricultural representatives identified the need to have a strong unified voice representing their interests as lacking in Genesee County. Discussions confirmed that. Although the Cornell Cooperative Extension Service is in Genesee County this agency's primary role is that of research and resource to farmers. Second, the Farm Bureau, also located in the county, represents interest of farmers on a national level, and not on a local level. Even representatives of the vegetable growers stated that there should be an umbrella voice to speak on behalf of the agribusiness.

The fourth major issue, which the task force identified was the lack of an agricultural curriculum at Genesee Community College. It was felt that although the college is a resource to provide upgrade training for present employees and has on occasion provided milk parlor training on request from area farms and agencies, agribusiness would be better served if major components or an entire curriculum could be provided at the local level. This would reduce the need of residents to travel to the nearest ag and tech school, which happens to be Alfred Ag and Tech or to Cornell.

Following now, are the recommended strategies for these issues.

For issues one and two, which were the need to educate the public and make knowledge available about the need and opportunities available, the task force will recommend to push for an agricultural curriculum component for elementary and high school students. This curriculum is in place already and can be made available from cooperative extension.

Second, the task force recommends the career awareness campaign beginning at the middle and high school level.

Third, assemblies at school about what Genesee County was and is. This should include its history, heritage, and the economy in total. Fourth, career fairs are another component which should include major components on agriculture. Fifth, an agricultural awareness campaign geared to the general public via brochures, newspaper series, and public forums.

For issue three, which was the strong unified voice representing agricultural interests, the task force will recommend that the Genesee County Chamber of Commerce establish an agricultural business division with dues, and all rights and privileges accorded other chamber members. With dues received from members and additional county support, the chamber would then be in a position to lobby and advocate on behalf of the agricultural industry.

Issue 4, the strategy recommended to address the lack of an agricultural curriculum in the county will be that Genesee Community College, along with the local BOCES, will explore ways to articulate with Alfred Ag and Tech, perhaps for an extension site in the county.

And the final issue was the use of indiscriminate use of prime agricultural land which came out of the last discussions as the task force was wrapping up, the entire task force was wrapping up its recommendations, that private developers were concerned about not having enough access to land for their development and farmers being concerned about the loss of their prime agricultural land for private and for commercial development. So the recommended strategies for that particular issue in order to stop the indiscriminate use of prime agricultural land for commercial or residential development, it is recommended that the county establish a county wide zoning plan which will protect prime land for agriculture while providing sufficient opportunity for other economic development.

One area of the request to the subcommittee would be funding to further update zoning and planning of a county so as to see that there is no more loss of these prime productive farm lands. An approach might be encouraging the establishment of certain activities in certain zones with the needed infrastructure so as to satisfy the requirements of the use and prohibit expansions beyond these preplanned zones.

That concludes our findings.

[The prepared statement of Ms. Baehre appears at the conclusion of the hearing.]

STATEMENT OF NEIL T. BURNS, EXECUTIVE DIRECTOR, GENESEE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Mr. BURNS. Good morning, Ms. Slaughter. I am Neil Burns.

At no time in the recent memory of western New York has the opportunities for sound economic progress into the year 2000 been more in hand than this very day. In my testimony I will use Genesee County as a microcosm of what must be addressed not only in Genesee County, but as it impacts all of the western New York rural counties.

The days of severe economic dislocation in the Northeast have been diminished and so we have the opportunity as a catalyst to make certain decisions which will enable us not to have them made in a crisis environment but rather the luxury of doing it with few pockets of economic concern. The primary objective of all parties of our western New York community is to prepare for the future today so that we can all be assured of a strong economy and a healthy environment and a superb quality of life. The Federal Government has addressed many areas concerning and affecting different segments of our society relative to substandard housing, high unemployment, and diminishing markets because of imports by foreign countries. And many of these concerns continue and will continue to concern us. But, these conditions which cause us these concerns cannot necessarily be alleviated through Federal funding programs only. An important role of our Federal Government is to develop a strategy offering local incentives for innovative ideas to address these problems.

The concern about pure water and sewer conditions, is, and will continue to be of primary concern for all of our people. In order to be assured of safe drinking water, the Federal Government must

continue in its role to an even greater degree than it had previously, even though billions of dollars have been spent by cities, counties, and towns in collaboration with the Federal and State governments to clean up their water. Their assistance in helping a community to address this problem must be the No. 1 priority into the year 2000. Infrastructure is necessary for future economic development in our counties, but with this infrastructure must also be the insistence by the Federal Government for sound planning to protect agricultural interests, the business interests, and more importantly, the interests of the individual.

As earlier stated, the No. 1 business in Genesee County is agriculture and every effort must be taken to see that the disappearance of this fertile productive land does not continue. Programs through the Department of Agriculture must encourage a market for farm products throughout our county and country with land utilization for the purpose of creating the highest value-added return for our farmers. Land, like people, wears out, and in many cases throughout our country, fertile valleys are now becoming less productive because of the loss of energy in the soil. In view of this, good producing land should not be used for any other purpose than the growing of food needs for our populace today and into tomorrow. In order to protect this important segment of our society, sound planning must be encouraged through incentives from the Federal Government to assure that farmlands will continue to be farmlands and not used for other developments.

Planned development for residential use, industrial/commercial development, and recreation must all be zealously policed to assure that no negative impact occurs one upon the other.

I would ask the Federal Government, through incentives, and during the course of my testimony I use the word, incentives with purpose, to encourage the proper planning for the benefit of all segments. In order for the citizens of our county to reap the rewards that generations before us have enjoyed, we must continue to address the benefits of all of our citizens so they can fully participate in our society and the rewards of our democratic system.

It is forecast that in Genesee County, again as a microcosm of all counties in our western New York community, is aging rapidly, I give testimony to that, with forecasts for the year 2000 population percentages of older people will increase dramatically and those of younger people will diminish dramatically. An aging population creates a diminishing workforce.

A recent New York State legislative study shows by the year 2000 there will be 775 jobs created for every 100 new working age citizens. This means there will be 1 applicant for every 7.5 job openings in a mere 10 years from now and most authorities already indicate this severe labor shortage is upon us. In an effort to address this problem and assure us of a sound economy, every effort should be made through the insistence and the support of the Federal Government to see that no one person in our society falls through the cracks because of his or her inability to acquire the skills and of even greater significance, the motivation to enter the job sector of our community.

Direction and encouragement must start in the home assuring the workers of tomorrow that they not only have an opportunity

for a rewarding life through their jobs, but we must further convince them they are needed to keep our country strong and prosperous in the years ahead. Parents must motivate youngsters. Educators must perform to a level heretofore unequaled and equip these young people with the skills and the trades that are usable when they enter the workforce.

We must convince our young men and women that working with their hands is a rewarding and noble profession. Not everyone can be a doctor, or a lawyer, or an executive, yet our education system grinds out youngsters without skill and direction for hands-on jobs. It seems that a high school diploma is a passport to college and those who achieve only a high school education are truly ill-prepared for important jobs in the marketplace. Without hands-on professionals our wheels of industry will come to a screeching halt. Business and industry must develop an alliance with education and the workers of tomorrow to see that they are being properly prepared for the job market. In this regard, continued Federal funding of education, particularly in the rural areas of western New York, must be a priority. Further incentives must be given for the coordination of the interest of industry and education to encourage them to bring relevant skills from the educational sector to fill jobs in the marketplace.

Serious attention to those individuals whose jobs are terminated by mergers, buyouts, and cut-backs by many firms must be addressed, for therein lies a wealth of maturity, experience, and work ethics that are not always acknowledged. The Federal Job Training Partnership Program will become an even more important component in this area in the future. Congress must continue and even expand upon the support in this area so as to keep pace with the changing needs and the technology of our industrial sector.

The future of our economic well-being is tied to a bevy of actions and spirits of cooperation that have not always been the case in years gone by. Congress, in its wisdom, must encourage local communities to develop innovative approaches to existing opportunities. Most importantly are the incentives to encourage governments to work together for the benefit of their people. No longer can a single development of a small town, village, or city be done on a singular basis. There is the need for the merging of concerns of towns, villages, and cities so as to bring together the effort to benefit not only their own jurisdiction, but those that surround them so that all will benefit in sound future growth.

The incentives referred to here are rewards for reducing municipal costs by the coordination and in some cases the merging of established jurisdictions. If one town needs improved infrastructure the cost of such a need cannot be justified, but if a group of towns and villages were to join together the justification for Federal financial support to achieve this goal becomes more sensible. My thrust then to you is to encourage these mergers and acts of cooperation, not to diminish the individual town or village, but rather to enhance them through the cooperation with their adjoining neighbors.

The two most famous words in every testimony, in conclusion, is my hair turns grey. I am one of those senior citizens but during my life there has never been an opportunity of tremendous opportuni-

ties than awaits right now each and every citizen in our country. But those opportunities can only be achieved through the encouragement of Federal and State governments and the cooperation of counties, villages, towns, and cities to assure that the future growth of the western New York community will be one of outstanding benefit to every man, woman, and child. Talk is cheap and oftentimes in abundance, but only actions produce positive results. I ask your committee to help us protect our environment, our agricultural lands, to recognize the significant contributions made by our educational system now and their importance in the future to assure the business community that they will operate in an environ conducive in doing business, as well as having access to skilled, motivated, and talented people to achieve this objective.

Programs like the Dale Carnegie course should be instituted in grade school to enable our kids to develop the self-confidence and the enthusiasm to meet the challenges and the rewards that await them in the world outside the halls of our educational institutions.

Our agency is convinced that there never has been a time of greater opportunity for our country and its people than exists this very day. To keep our country's economy strong and vibrant we must use every effort to take advantage of our greatest asset, our people, that they receive a relevant education, are taught marketable skills, and retrained properly when dislocations occur. We cannot afford to have one person fall through the "cracks" of our system for every person is sorely needed if we are to continue as a force to be contended with in global markets. Government and business must set the direction by their examples of cooperation to enable all people to share in the great American dream. This will guarantee that for each of us, the best is yet to come. Thank you.

[The prepared statement of Mr. Burns appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you. Louise.

Ms. SLAUGHTER. I have a couple of comments. I was really struck by what you said about counties joining together tc meet infrastructure needs. When I served on the rural resources commission in the State legislature we talked about doing a similar kind of thing in some of our rural counties, a sort of blurring the lines with regard to paying for and delivering State services. We considered a number of social services including Medicaid and feeding the elderly. Nothing really ever came of that idea. I think there was a sort of chauvinistic reaction, "Not in my county." Do you think that the time is now right for us to try an approach like that, given the fact that all of us, State, county, local, all are working under limited resources?

Mr. BURNS. Yes, I think that there has never been a more appropriate time. As an example, the greatest freshwater reservoirs in the United States are within 30 to 50 miles of western New York. We refer to the fact of our concern for drinking water, 80 percent is ground water. Why you should, as an example, the city of Batavia, bring a line at its own expense, all the way from Lake Ontario, to serve let us say, the Batavia needs. Where we are going through Orleans County and a bevy of small villages and towns, who could all benefit from. We have to become, one, cost effective, but we can only do this through cooperation. This same would apply of all

counties, especially the rural counties. A small hamlet, who has water problems, cannot justify a modern system, therefore it should be done in collaboration with their adjoining towns and villages, and it makes it much more justifiable.

Ms. SLAUGHTER. This emphasize the theme of again giving States the money to work with local governments and for them to decide what they need rather than having the Federal Government mandate what we want done.

Mr. BURNS. That is right. And they should be rewarded, all programs, loans, and grants, all have certain specifications. I think that we have to require the recipients to be more innovative in their approach and prove to the granting partner that they are going to do something that is going to serve a great deal of people and become more cost effective.

Ms. STONECIPHER. One of the things, Ms. Slaughter, our infrastructure task force found when they were looking at water and sewer needs is that municipalities tended to get fairly territorial about making decisions regarding these things for their municipalities. And I would just reiterate that there must be a financial incentive to municipalities or counties to get them to cooperate to do these things to the best interest of all taxpayers, rather than what is going to give the smalltown politician a good platform to run for reelection.

Ms. SLAUGHTER. Yes, Mr. Burns also has pointed out the need for incentives for cooperation.

Mr. BURNS. Yes. I think that the fact that a community has a water problem is serious and the Federal Government in collaboration with the State will help them address it, but no longer can we look at that small problem. We want to then spread out our vision to see if by correcting this problem we can also correct to the benefit a larger region of concern. And when I talk about incentives, we also must talk about penalties. Perhaps the amount of contribution by the Federal Government for a basic small structure, infrastructure installation, should be less than it covers a larger number of areas. I think it is almost like saying, how many people are you going to benefit? And in doing so, if we can reduce the cost of benefit by a larger number of people receiving the services, I think they should be given some consideration for that approach. Innovation approach put on the backs of the rural areas to say, we are going to do something better than has been done before, and give them some sort of additional advantage because they have taken that route.

Ms. SLAUGHTER. I was impressed, Gloria, with the statistics that you gave, if I got this correctly, that 60,000 people are employed by the county's two largest employers: government and agriculture. In agriculture are you talking about people who work directly on the farm, or does this include all the support systems?

Ms. STONECIPHER. We are talking about, when we are talking about this money, the ag companies, the ag-related companies as well as down-on-the-farm.

Ms. SLAUGHTER. Given the size of the agricultural industry does it not seem strange that you find there is a great need for the people in the county to understand its importance?

Ms. STONECIPHER. I find that is amazing that there does not seem to be the correlation between the two. We find the same thing in tourism, that people do not understand we had 1.7 million people visit this small county a couple of years ago, but many people, including retailers that have an obvious stake in tourism do not seem to understand the importance to their business.

Ms. SLAUGHTER. I am pleased with the strategies that you have come up with and I think that it is an important effort. If we are going to keep this sector of the economy strong we need to make clear to young people what the career opportunities are there and certainly to pay some attention to agriculture in our education systems. I really commend this county; I am extraordinarily proud of what you are doing. You are the only county that I know of that is really looking ahead into the next decade and into the next century to decide where you want to be going. And I think your foresight should be noted in the record. I thank you very much for coming.

Mr. BURNS. Thank you.

Ms. STONECIPHER. Thank you.

Ms. SLAUGHTER. Our next witness is Salena Sanford. Salena is a student at LeRoy Central School. She is going to speak on the future of LeRoy and we very much want to hear from our high school students what we need to do to keep them in the community and to get back those who have left.

STATEMENT OF SALENA L. SANFORD, STUDENT, LeROY HIGH SCHOOL

Ms. SANFORD. I am Salena Sanford and I am a 16-year-old senior at LeRoy High School. They gave me a guideline on what they wanted me to discuss today. First, I would like to talk about the advantages of a rural area and being a teenager in a rural area.

It is kind of nice to look around, like maybe when you are sitting in class or just living around here and you see something green, like a tree or some grass. A lot of times when you live in an inner city, some of the kids never even get to see grass or a tree and most of them only see farm animals when, in books, or maybe if they go to a summer camp. So that is kind of nice about living in a rural area. Also, the community is a lot closer, and you know a lot of people and they know you and it is nice when you see somebody walking down the street, they are friendly. They say, hi, to you and you can say, hello, back and find out how they are doing. Where like if you are in New York City, depending upon where you are, you might get knifed if you talk to them. What do you mean by that, or something.

Also, rural areas are not as loud as the inner city. To some people I suppose, inner-city people are more used to the late night sirens and the traffic so maybe when they came out to the rural area, crickets might be a loud noise to them that they are not used to.

Also, we have a creek right next door to our school and it is very beautiful down there. You can go sit and it is very peaceful. And in the city you might go over it, over the through-way and see the pollution floating in it or the, a tire or something, and you never

really get to go down there and sit by it. I mean, even some wedding parties go down there to get their picture taken and everything.

Some disadvantages is it is a little too small, in my opinion, for me. I would like to try something bigger just because there is a whole world out there and when you are living in such a small town you are only, it seems like you only get a small part of the pie of life when you are living in such a small town.

There is not much to do around here for teenagers. It is kind of boring. We do not really get to do anything. We have some school activities which is good, but a lot of times you know, you can only rent so many movies and go and hang out at McDonald's, so I think that is where part of the drug problem in smaller towns comes in because when there is not a lot of things to do, kids look other places, and sometimes it is not the place to look, to drugs and alcohol, but it seems like to them that is the only place they should go.

There is not as much drug abuse, I do not think, as in the inner city, as in rural areas, but that is because there are more people in a big city and more pressures, more stress, gang violence, and stuff.

I do not believe that we get enough money so we have some things to do around here besides just McDonald's and the movies. When you live in an inner city you can maybe have your choice of 12 to 15 shows. You can go to an art museum. You can go dancing. You just see a lot more people. I plan to go to college after I graduate and I am going to look for a bigger college just because I live in such a small town. I would like to go out to California to see what that is like and I will probably also apply to the University of Virginia. I think when you live in a bigger city you have more opportunities. And that is what I am looking for, and that is why I choose to go to a bigger college.

Also, I do not think I would bring a family to a rural area to live. It is a very nice place to bring a family, but I would probably choose to raise my family in a suburban area so you get both some city advantages and some farm town advantages.

I believe that what the Federal Government could do is maybe channel some money into more activities or places to sort of urbanize the rural community without making it a total metropolis or large city. And I think we need better transportation to some of the bigger cities, because before I could drive, there was totally no way to get even to Batavia unless you had your parents take you, which seemed to be a problem.

Also, I do not think our schools get enough money. Pavilion High School does not even get enough money to have football, and we, LeRoy, usually does not have enough money in the budget to make minor repairs. We only have major projects at a time, and so some things are not kept as well up to date as they should be, I believe.

I do not really know what else you would like me to discuss. I would like you to ask me some questions.

Mr. ENGLISH. Salena, thank you. That is a fine testimony. I was wondering, well first of all, let me make a comment. My own rural area in Oklahoma is about 100 miles west of Oklahoma City. I want you to know that I notice that LeRoy has a movie theatre.

Ms. SANFORD. Yes.

Chairman ENGLISH. We do not have one. So, you are living in an exciting town. I want you to know that. [Laughter.]

And the other part of that of course has been in Congress where I live in Washington. And I have a 13-year-old daughter. She was 13 yesterday, and I want you to know that in Washington, DC, she tells me how boring it is. So, I am not sure that it makes a whole lot of difference whether you live in a town of 3,500 where I come from, where our home is in Cordell Oklahoma, or LeRoy, or Washington, DC, it seems like young people your age are bored. And I would like to know what it is that we can channel these Federal funds into that might make life a little more exciting in rural America.

Ms. SANFORD. Well, maybe just community projects to get everybody involved, like we had an AWACA fest, and I am not sure where the money came from there, but that was for the younger children and for the older adults, even senior citizens. They had a small circus for the children, and they had food, and they had some boat races, that I know some of the guys my age entered. They had some sky divers. They had a lot of little booths set up. I know our senior class made some money off of it. But just more, so there is more things for people to do.

I like to go dancing a lot. But the only place that is non-alcoholic and for kids my age, is up in Rochester. It is called Pandemonium. It is the only one around that I know of that is close enough so you do not have to drive real far away to get there.

I guess I am considered a busybody, and when I do not have something to do, if I sit home too much, I just go totally nuts.

Mr. ENGLISH. Sounds familiar.

Ms. SANFORD. I did, there is a boy that moved last year to our school and he lived, I think in Washington for a while, Washington, DC, I think he said. We were talking, discussing this in class today and he said that he liked it a lot better there because you always had something to do. You could always see everybody and he said that he liked it a lot better. It is a matter of opinion. He said you could always go and hang out in the mall. You could go to a show, or you could just see your friends a lot more. I know when my friends were younger, the ones that lived out in the country, maybe 2 or 3 miles, 4 miles, a lot of times they had parents that worked or were too tired to bring them anywhere or they did not want to pick them up later than 9 o'clock. And that was a real problem, so they had a hard time seeing people. And my fellow junior miss candidate, we did mock interviews and she said that it was kind of lonely for her when she was younger because a lot of times her parents would be at work and there is no way to get into town to see her friends or even, out 5 or 6 miles away where her other friends live, there was no way to get there. So I would like to see more where all the kids could get together, even the adults. I know, my parents do not go out that often, and I do not know if that is because they do not like to or if they do not feel like driving all the way to Rochester every weekend to do something. I do not really know. I have never really asked them. Just something more to do.

Other than that, I like to dance, so I would like to see a teenage dance club come close. Maybe Batavia because it is a bigger city

and there are more people in it. But at least that is only 15 minutes away and we could get there a lot easier.

Mr. ENGLISH. The closest city our way, in our part of the country is Oklahoma City, about 100 miles away. So it takes us about 2 hours to get there. But it is very similar to what you are talking about, going to Rochester.

One of the things I would suggest though, whether you lived in an urban or whether you lived in a rural area. Things always look a little better on the other side of the fence.

Ms. SANFORD. Yes, I have never really lived in a bigger city but I am certain that that is what I want to try.

Mr. ENGLISH. Thank you very much. Louise.

Ms. SLAUGHTER. Is it hard for you to get a part-time job, an after-school job, or any kind of work here in LeRoy?

Ms. SANFORD. Well, as I said, I am very active and I believe that while my dad has told me before, as long as you are active in school, keep your grades up and if you want to play sports after school, I do not care if you get a job. During the summer, I worked at my step-father's law office 1 day a week, and I babysat 2 days a week usually. Besides that, with my busy schedule, I do not find much time to work.

Ms. SLAUGHTER. Do most of the high school kids ever find it is possible, if they want a job, to get one?

Ms. SANFORD. Usually. Most of them work at Scooper Dooper, Bells, or they work at the Party House, outside of LeRoy, in between LeRoy and Batavia, or some of them get office jobs, but not many. Most of them are cashiers or boxboys, or whatever you want to call them.

Ms. SLAUGHTER. If you had the public transportation, so that you had access to get out to museums and to plays, and things that you want to do, would that make life here better for you?

Ms. SANFORD. I would like that, it would give me more of an opportunity to go somewhere and do something rather than go up to the movie theater, hang out at McDonald's. I would like it better. I like music and art a lot. I am not a very good artist but I do like poetry and art and musicals. And I have participated in musicals in this high school. And I like to go to those shows. I do not think I have ever, I think I went to go see "Annie," once when I was about 10 years old, and that is about it.

Ms. SLAUGHTER. What are you planning to do at the university?

Ms. SANFORD. I would like to take a variety of courses. I have not decided on a major yet. I would like to take poetry and astronomy, and music appreciation and then I would like to work with my math, my calculus and probably chemistry. So it is quite a wide range.

Ms. SLAUGHTER. You do not plan to come back here?

Ms. SANFORD. I would like to go out to UCLA to college.

Ms. SLAUGHTER. But afterwards.

Ms. SANFORD. Afterwards, I think I would like to live in the suburbs somewhere. Not where it is real inner-city like, and not where it is so far out in farm land.

Ms. SLAUGHTER. If you could just give me one sentence on what one thing you would like to see changed, perhaps some attitude,

but one thing that you think would make you want to live here more than any place else, what would you say?

Ms. SANFORD. That would make me want to live here more? I think again, the better transportation system would help me make my decision toward this town, because that way it would give children more opportunity to go out and get more culture and maybe even see what people in the city live like and besides, I really do not want to live there, because I have not really ever lived either with anybody in the city to know how it is like. So then I would, maybe my kids would say, I do not really want to live in the city, where I really never had a chance. So that is my one of my big efforts is, is I want to go to the city. And I think better transportation would say, oh, well, it is nice. You know, it is real noisy out there, but you know, it is nice to come home to nice peace and quiet, where you know everybody and it is warm and friendly.

Ms. SLAUGHTER. I would sure like to hear from you in about 5 years. Thank you very much. We greatly appreciate your giving us your viewpoint.

Ms. SANFORD. Oh, thank you. It has been quite an experience.

Mr. ENGLISH. Thank you very much. We appreciate your testimony.

We will recess now until 2 p.m.

[Whereupon, at 12:50 p.m., the subcommittee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Mr. ENGLISH. The hearing will come to order. We are happy this afternoon to have Congressman David Nagle from Iowa, who has just joined us. He packed up early this morning, and flew here all the way from Iowa.

Mr. NAGLE. Thank you.

Mr. ENGLISH. Our next witness is Mayor Daniel Hopkins, from the Village of Oakfield. Mayor, if you would please come to the witness table. Dennis Wittman, the Bethany Town supervisor, and Jeffrey Smith, the administrator of the village of LeRoy. If you gentlemen would all please come forward.

Mayor Hopkins, we will let you lead off, and again, I want to remind all of the witnesses to please summarize your testimony and I want to assure you that your written testimony without objection, will be made a part of the record. So please keep it as brief as possible, because we do want to make sure that we do get all of our witnesses in this afternoon.

STATEMENT OF DANIEL L. HOPKINS, MAYOR, VILLAGE OF OAKFIELD, GENESEE COUNTY, NY

Mr. HOPKINS. Thank you for having me today. My name is Daniel Hopkins. I am the mayor of the village of Oakfield, in the western Genesee County. We have a population of about 1,800 people.

When Louise sent the letter to me inviting me to speak today, I tried to think about what direction my area is going in the next 10 years and into the next century. And what problems we face. And the problem that I came up with that faces all of us, rural, urban,

whatever, is the drug problem. I feel that it is, the President of the United States has offered a great deal of money. It is not enough. He wants to send aid to Colombia. He would like to have more narcotics officers, more prison security measures for casual users, but that is like closing the barn door after the horse gets out.

No where in the President's message did I find where the true problem lies and that is with the young people of our country. We have to educate them from day 1. Too many times we leave, as parents, we leave the instructions of our children to the school system. We need help from school systems, we need help from the Federal Government.

There was an article this morning that ran in the Democrat Chronicle that touched upon this subject and it gave some figures from Seneca County. In the article, if I could read just a couple of excerpts, "It is the time to poking in the underworld of rural teenagers, the ones everybody hoped were still out in the barn after school, petting their 4-H heifers. Instead of this, they are in the house snorting cocaine."

It went on to speak that in Seneca County, they did a survey of all students from grades 6 to 12, and in that survey they found out that 91 percent have used alcohol, 38 percent have smoked marijuana and 11 percent had used cocaine. These figures are devastating and I do not really think that they touch upon the true problem. I imagine the numbers are much greater than those.

Basically, I think that we have to have some help from the Federal Government. There is no true plan of instructing our children. It is all left up to the schools and individuals and I think the Government has to get involved in the education of our young people today. Thank you.

[The prepared statement of Mr. Hopkins appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, mayor.

Mr. Wittman.

STATEMENT OF DENNIS J. WITTMAN, DIRECTOR, COMMUNITY SERVICE PROGRAM/VICTIM ASSISTANCE PROGRAM, GENESEE COUNTY SHERIFF'S DEPARTMENT

Mr. WITTMAN. Thank you for the privilege to share with you, the distinguished Representatives of Congress, our perception of the challenges facing the criminal and victim justice system, as we enter the 1990's. I thank you for being more than a government "of the people, by the people, and for the people," but for bringing the Federal Government to the local, frontline level.

In every field of endeavor, challenges require total commitment if we are going to make a meaningful difference in the lives of those touched by our work. These same challenges test our capacity to be creative as caretakers in both the human and personal dimension.

Today, there are no easy answers or solutions in doing justice that restores and reconciles those broken by violence, crime, drugs, and even death. Our commitment to justice in Genesee County is one that restores public confidence and helps with the healing for victims, offenders, in our rural communities. We have been blessed

that our Genesee justice philosophy has touched many. Those in 43 States, 8 Canadian provinces, and 17 countries. We have been blessed to speak with members of the Canadian Parliament, members of the supreme court of Canada, members of the Ministry of Justice of Japan, and a number of State sentencing and judicial commissions throughout the United States.

Many are searching hard for justice solutions around the globe. We have been most fortunate in Genesee County to nurture credible grassroots solutions in our criminal and victim justice system. We have worked our hearts out with a hands-on approach in addressing the challenges of our justice system.

Unfortunately, the decade of the 1980's, will be remembered as a decade of massive imprisonment. Unfortunately, it has been the fastest growing industry in the United States. It is straining our economic resources and affecting our competitiveness in the international marketplace. Most importantly, incarceration is often only a quick fix for those who commit misdemeanor or felony offenses against victims and communities.

The victims we have worked intensively with, as well as community citizens, whom we bring into our community impact statement, often want accountability, and to obligate the wrongdoer. In truth, they want a payback, they want a real commitment, and they want justice that is genuine and lasting. The challenges facing justice systems are basically the same, regardless of one's rural or urban setting. The size and scale may be different, but remember that we are all cast from the same human mold. The significant difference in our Genesee Justice approach is that we view our life work as a life mission.

Genesee Justice is more than a system. It is real people caring and reaching out to other people. It is a system of humans for humans. It is people inside the justice framework reaching out to people in the community, sharing justice with them. It is victims recommending community based sentences for offenders. It is offenders being obligated beyond self to their victims and their communities. It is citizens participating in impact statement, reconciliation conferences, and opening their nonprofit agencies, schools like the LeRoy Central School, churches to all of our justice initiatives.

Genesee County has a continuous focus on people, for the benefit of those wronged, the wrongdoer, and the maintenance of peace that we often overlook as a focus point of justice.

Benefit is viewed in human life, a life restored, or a life renewed with meaning, is the heart of how we face the challenges of doing justice.

Further, each of us needs to ask crucial questions on how to improve the quality of justice in our hometowns. Whether it be in Oklahoma, Oregon, Alabama, or New York. Justice policies and initiatives undertaken anywhere should ask: Can peaceful resolution result from criminal conflict? Can we obligate offenders to perform hard work, reconcile with their victims, make restitution, and help themselves with a better life direction? Are we hard or soft on crime? What really counts and what does it cost? What do we get for our money? Can justice be tough and compassionate at the same time? How much do we value commitment? Is there a better

way in our criminal and victim justice system? The day is over where it is just a criminal justice system.

Is there a need to redefine our criminal and victim justice system? What are the priority concerns of victims of crime? Are there positive punishments?

The bottom line—do our justice initiatives work? Why is the spirit of the law as important as the letter of the law?

The human challenges of doing justice with a deep sensitivity to help restore someone's broken life does not come easy. It is important to remember that we talk, work, and deal in human terms, not statistics.

Walking through the legal maze for 22 months, with the wife of a Federal agent, shot to death is the challenge of doing justice. Taking a long stand in the courtroom, and parole process for a 3-month infant who was slammed against the wall, suffering 32 fractures, is the challenge of doing justice. Being there day or night for 16 months, with the wife and mother whose husband, twin 4-year-old sons, and 6-year-old son, were killed in one instant by a drunk driver, is the challenge of doing justice. Making sure that a 79-year-old lady senses that someone cares and is given dignity and standing, after she has been raped, is the challenge of doing justice. Sitting inside a jail cell with a young black man, as he reconciles with the young man he seriously assaulted, is the challenge of doing justice. Sitting quietly with a grieving native American family in their home on the reservation until 11 p.m., trying to understand their deep suffering over the death of their daughter and sister, is a challenge of doing justice.

These are but a few of the human challenges that we face continuously and intensively as we carry out our life mission of doing justice and peace work. The difference in doing Genesee Justice makes all the difference. Being there time and again, outreach over and over, repeatedly bringing in citizens of our communities into our justice initiatives in real ways, perseverance for the long haul. These are the ingredients that bring positive solutions to very difficult challenges facing justice systems in America.

Of great importance, we believe here in Genesee County, in a rebirth of many Biblical themes that have been lost in doing justice. We see them taking place in Africa or Japan, but we do not see them too often taking place in this country. Reconciliation, reparations, restitution, atonement, forgiveness, these are the foundations of real peace and justice in our communities.

How can you help? You can help by your leadership capacity. By informing your own congressional constituents that there are better ways to do justice, for themselves, for innocent victims, and for those they have wronged. Every community has a capacity to begin anew their justice mission. Healing, obligating, peace making, righting wrongs, and a work ethic do made a difference in bringing about a real justice. Peace work needs your help.

Last, I respectfully ask each of you to pray for two families who hopefully will feel a sense of genuine justice today, in the State of Kansas. Their children were killed by an elderly drunk driver in that State and for the past several weeks, they have been calling upon us from their hometown in Kenron, Ohio. They had so many questions on their rights in the justice system. For the offender it

is a blessing that these good people are strong of spirit and forgiving. I ask you to pray not only for them, but that the sentence of the court will bring peace and healing.

I have just 10 ways that I feel that the Federal Government could help bring about justice in rural America. One, is the continuation of VOVA funding, victims of Crime Act funding, with an emphasis on underserved communities. Many rural counties in this State and Kansas, and Oklahoma, and Iowa, do not have victim service agencies in their rural counties at all.

Two, provide adequate funding and training to rural law enforcement agencies and district attorneys, with an emphasis on crimes of violence and drug-related crimes.

Three, promote Federal aid to school districts who have a proven track record, impacting on their student body, about drug avoidance.

Four, provide support for community-based model justice programs, that truly encourage community involvement and ownership of justice issues pertaining to victims, offenders, and the drug crisis.

Five, foster a coalition of youth, church, and civic leaders who will actively become involved in the justice system and in doing justice.

Six, incorporating a restorative justice philosophy into our legal system is essential to the continuation of the American justice system. The current one is bankrupt.

Seven, the United States should initiate an international symposium on legal and justice relations with an emphasis on how the International Community of Nations, desires to do justice as we enter the 21st century. In that century, this country will become a state, amongst the United States of the World. And it would behoove this country to take the initiative in this area.

Eight, initiate the formation of multinational community justice agencies that would develop and use criminal and victim justice sanctions appropriate to specific justice problems.

Nine, the reestablishment of community correction review boards composed of citizens in each community where a Federal and/or State prison is located. This would afford the community again, ownership of the operations, and environmental conditions of those in prison. As a minimum requirement, every such community correction review board, should have at least one citizen who has been a victim on that board. This concept would equally apply to a community corrections review board of local county jails.

Last, the Federal Government should promote the concept of open parole hearings so that any party directly impacted by an inmate and/or his release, would have the opportunity to present their relevant information to members of such a parole board. Many States already have this concept built into their correction expansion.

I thank you for your time.

[The prepared statement of Mr. Wittman appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you. Mr. Smith.

STATEMENT OF JEFFREY R. SMITH, ADMINISTRATOR, VILLAGE OF LeROY

Mr. SMITH. I am Jeffrey Smith, the village administrator, with the village of LeRoy. The testimony that I am going to give here today is, consistent with the mayor of LeRoy and supervisor, Nick Citnovich, from the town of LeRoy.

And I guess one of the biggest things I would like to try to point out, is the fact that I think with the increased pressures on local government today we are seeing less and less support from other agencies, the Federal Government and the State government, we are being forced to rely on ourselves more. And I think in LeRoy we are seeing circumstances where local units of government are trying to band together, in whatever way we can, to try to solve some of these problems, because a lot of times it seems that the finances just are not here for the smaller rural areas. So we are trying to do it on our own.

And the other point I want to get across is we will try, but if I were to be a betting man, I sure would not bet on our success without some sort of help beyond what we are getting right now.

I have worked for county government, Federal Government, State government, and I have been a village administrator now for 7 years in two small rural communities, and I guess the biggest thing that I am amazed at myself, is the areas that we are touching on, in rural local government, within the last 5 years. Issues we are dealing with today, when I first started in this business, were beyond my comprehension. No longer do we just worry about filling potholes, providing water and sewer service and collecting garbage. While these areas are still large concerns, and areas where providing adequate service is becoming more difficult, we are increasingly being forced to address social problems. Drug and alcohol abuse, family counseling, day care, health services, and education, that were never primary concerns of rural local government.

We feel, largely because of the Federal Government's abandonment, or in some cases, disregard for many of their traditional areas of concerns, and our State's propensity to follow the Federal Government's lead and back off on their assistance to local government, while passing on more and more mandates. People are turning to local government to solve their real and pressing problems.

The idea I would like to stress here today, is that I believe local governments can meet many of the concerns people and other governments are asking them to address. In many instances, the local response will be more innovative, effective, and cost efficient, than having them administered by Federal and State bureaucracies. But it will be impossible for rural local governments to meet even their traditional function without outside assistance and support from the Federal Government.

The last 8 years were an interesting time. New Federal-State-local relationships were going to be forged. We were told the Federal Government would get off our backs and let government be turned back to the localities. The reality of this new relationship has been one where the Federal Government has removed itself and its money from the relationship altogether. In many areas, the Federal Government has thrown these very trying and major prob-

lems on the backs of State and local governments, while abandoning 200 years of intergovernmental theories, relationships, and policies, not for any philosophical or social reasons, but simply to raise moneys for the Federal Treasury by any means possible in order to raise revenues without increasing Federal income taxes.

At the same time, as a government that lacks moneys or the will to invest in selected areas themselves tend to do, local governments are delivered more unfunded State and local mandates, forcing local governments to do the things, the higher level of governments want to accomplish but do not want to pay for. The net effect of these policies has been to turn Government revenue generation from a progressive taxing structure, into a regressive tax system, forcing low- and middle-class citizens to pay a proportionally higher portion of their income in taxes.

The real problem local governments face is their only significant revenue generator is the regressive, nonelastic, real property tax, that taxes people in proportion to their ability to pay. This further adds to taxpayer confusion, distrust, and apathy toward all forms of government because they are not sure how or why, but they know more and more of their limited incomes are going to pay higher and higher taxes. What is more frustrating, even though they are paying more and more, everything around them seems to be going to hell in a handbasket. It seems to me we are playing a cruel game. We are getting hit from behind, hit from the left, hit from the right, and I could sit here and probably outline 12 different ways it is being done today from the arbitrage rebate provisions of the municipal bonds to mandates that are being forced on us that are increasing user fees in every direction, but the poor Joe in the street, he does not know what has hit him, but he knows that his pocketbook is getting thinner and thinner and as Dan has intoned and Dennis has kind of intoned, things do not seem to be getting much better. If anything, they are getting worse.

Here in LeRoy, as we speak, there are three areas containing almost 200 households where water supplies are polluted or have other health threatening problems. In Lime Rock, a hamlet located in the town of LeRoy, about one-half mile from where we sit, 51 people have contracted Shigella, a highly contagious, bacterial infection that causes severe intestinal problems. In another area, West Bergen Road, 23 of 36 wells tested in 1983 by the Genesee County Health Department were found to be grossly contaminated. You can imagine our frustration, concerns, and fears, knowing our neighbors are drinking and becoming sick from drinking contaminated water, but we cannot help them because necessary funds are not available.

We are not asking for 100 percent funding, mind you. What we have asked for in the past is just a fraction of the funding to make these projects economically viable. We are willing to pay our own way, but to date, the town has been trying for over 6 years to correct the West Bergen Road problem. All State and Federal officials contacted agree there is a serious problem, but unfortunately, for one reason or another none of their programs can help. Understand, each one of these projects are located within one-quarter of a mile from the village of LeRoy water distribution system.

Within the last 6 years, the village has invested over $5 million in its water system. A community of 5,000 people, has invested over $5 million into its water system in order to bring it into compliance of the Clean Water Act requirements. In this case, water is just down the road, but we cannot muster the relatively small investment to improve the health of 200 families.

Another problem I have seen before I came to LeRoy, which is pretty well off. This community is not bad financially, and its viability is not bad. They have been blessed with good management over the ages, and it has been blessed with having a good economy, and being in the right place, where a crossroads was help. When I was in the village of Gowanda, which is a small village located in Erie in Cattaraugus County, bordering on an Indian reservation, there I learned first hand that if you are a small community set upon by hard times, the Federal and State program deck is stacked against you. Not only do you not have the political base and votes to make you count, but you lack your own resources to help yourself. Without flexible outside funding sources, many small communities are going to be forced to the brink, trying to comply with the ever-increasing environmental, legal, and social issues being thrown at them.

Rural areas are going to be very expensive areas to live and still lack the most basic services. While I lived in Gowanda, three bridges were closed within the village because they were unsafe. Within a 2-month period, two local bridges collapsed, one with a dump truck on it, and unfortunately a man died, but we do not hear about those in the paper. They are not as dramatic as the New York State thruway bridge collapse and that sort of thing, but they are going on every day.

The main roads in the tricounty area of Cattaraugus, Erie, and Chattaqua Counties are deteriorating beyond repair, with many local road systems literally turning back into dirt roads.

Many water systems are over 100 years old with undersized leaking lines. In some of these communities, I predict there will be a time in the not too distant future where we will be combating diseases and public health problems we thought we had won 50 years ago.

Rural health needs are going unmet, with more and more rural Americans lacking the services of a local family doctor. It is not unusual to have to travel 30 to 40 miles to relatively simple medical assistance.

Alternatives and innovative methods for solid waste control and disposal must be pursued by all levels of local government. We must combat excessive packaging by manufactures, recycling, and adaptive reuse of materials in the solid waste stream must be undertaken. And I feel these are both areas where the Federal action is needed. We cannot do this on a county by county basis. It is not fair to business, and it is not fair to other areas that will prostitute their environmental future just so they can have some economic gain.

Rural America is becoming the dumping ground for its urban and suburban neighbors, and in the case of western New York, most of the eastern seaboard.

Basically these environmental problems are adding to the ground water contamination and we have to continue addressing these areas. My biggest feeling is that if rural areas were given programs that had some flexibility to them, and I am going to mention a word that nobody wants to hear anymore because, I agree the program had flaws in it, but revenue sharing was the only program, even though we got a token piece of the money, it was the only program a lot of rural areas got to play. The games we play today with Community Development Block Grant funding, and a lot of other funds and believe me I am hired because I am a gamesman. LeRoy did not hire me because they thought esoterically it is a nice idea to have a council manager form a government. They have hired me to produce, and one of my skills is being one of those gamesmen. Many rural areas cannot afford me. Gowanda lost me because LeRoy can pay more, and it is the same way. If you are behind the eight ball, baby, you are going to be behind the eight ball forever.

We cannot afford, we cannot ante up to those games. It costs about $6,000 to put together a Community Development Block Grant application today. We have tried five times in LeRoy. We have been rejected five times. A lot of other rural communities in Genesee County have tried as many times. I used to work for county planning. We used to put them together and get them rejected, every year, we would do it.

What we need is accountability. And I do not disagree with that. And I think that is where revenue sharing was one of the areas where perhaps there was the problem. But give us a program where we can tell you what we are going to deliver, show you how we are going to do it, and we can measure the results at the end, and we will give you results. We can take $1 and multiply that $1 so many times and squeeze it so many ways you will not believe it.

I guess that is all I want to convey. Thank you.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, Mr. Smith. We appreciate your testimony. Gentlemen, I appreciate all of your testimony. You did a fine job. Mr. Nagle.

Mr. NAGLE. Well, let me just say briefly now formally here, that it is an honor to come at the gentlelady from New York's request to this area of the country, an area that I am not completely familiar with. I come out of respect for the Member who asked me. You have an outstanding representative from this area, and it is an honor to be on the panel with her. Rather than ask a serious question, I would rather just listen, quite frankly. But I was curious, Mr. Smith, about your CDBG experience. You say you made five applications and are responsible for about $6,000 an application, is that correct?

Mr. SMITH. That is what it will cost today. Recently, the increased mandates that have been put in on the CDBG application process, I go to those hearings where they hold up the book. New York State is one State that has not taken on the administration of the program, which I feel is one problem to begin with. I feel that if we got it into the States, at least we would have a little more say in some of the dispersement. But when you get into those applica-

tion conferences, and now they have not made, well, before it was even a little more unfair, because if you had an application the year before, you could use some of your grant money to apply for the application again. So now everybody has to start at square one, but to put an application together and because of some of the new conditions they are putting on the people that package these professionally, they cannot add any fees into the back ends, and this sort of thing. You are starting to see the true costs coming out. And the estimates we have were $3,000 to $6,000 to put one together for us.

Mr. NAGLE. Do you have within the State, regional and public hired experts to assist communities in preparing these applications? Is there any kind of technical assistance available to a community, say like Hugo?

Mr. SMITH. If there are any out there, none of us know.

Mr. HOPKINS. We always hire a private firm in our village to handle our grant writing and investigation of grants.

Mr. NAGLE. Thank you very much.

Mr. ENGLISH. Ms. Slaughter.

Ms. SLAUGHTER. Yes, thank you, Mr. Chairman. Mr. Smith, you are familiar with the department of state self-help program?

Mr. SMITH. Yes, I am.

Ms. SLAUGHTER. We had some testimony on that this morning and as I heard it, some communities have found that with the expense of putting together grant applications, and as time after time they are being turned down, they would have been better off to have used that money to begin to attack the problems themselves.

Mr. SMITH. I have to chuckle on the self-help program, because the State of New York sounds like they invented it. It was the rural Farmers Home Administration that has been using that program for years, successfully.

Ms. SLAUGHTER. Does it work?

Mr. SMITH. It does work. In New York State it works in spite of New York State. In other States, one of the places I used to work for was Farmers Home Administration and I got to know quite a few of the guys down in Texas and Mississippi, some of the Carolinas, Tennessee, they were using it quite extensively 15 years ago, and they were doing some tremendous things so it is nothing new. On the Federal level, I think the track record is there. In New York State it still comes with, we have problems with the Department of Labor, with prevailing wage rates and a lot of other things that are trying to muddy the water up. But, in New York State the credibility of the program is being hindered. It is not a success story, but other places in the country, like I say, it is being used all the time and it is the way to go.

Ms. SLAUGHTER. One thing that I commented on this morning was my work with the commmittee affairs division of the Department of State. My job, to start with, was to go around and meet everybody in rural government in my counties to get to know them and to see what kind of help we could bring. One thing has been a heart breaker to me. As we have gone through this HUD scandal, I have had memory after memory come back to me of sitting down with people, putting together applications for housing and for community improvements, never knowing that we had no idea where

the money was going. That certainly is not your problem, that is the Federal Government's problem, and we will be trying to deal with it. But the tragedy for us in the Northeast, that probably is different from my two colleagues, is that we have aging water supplies. We having aging sewer lines that we really have to deal with, and the fact that Federal money is no longer available has hit us twice as hard, I think, as it has some other parts of the country.

Mr. SMITH. That is my feeling, and on the flexibility, one of the things that I did do today is I did not know there were three of you, I apologize, but I did bring two hats that say, LeRoy Lake Management.

Ms. SLAUGHTER. We have to give those to my colleagues. I am so glad they came to New York.

Mr. SMITH. Make sure they get these, because one of the things I want them to talk about is the ground water and the watershed management. We recently received a 205–J, water quality grant application. This comes from the Environmental Protection Agency. It is a small amount of money and like I said, I am good at gamesmanship, so we did get one. It is a pass through program from the State, and we were able to put a successful application together, the largest part of this grant was for education, public awareness of what is going on in our watersheds, because our lakes have had tremendous problems here, as are a lot of small water systems all across New York State. One of the things we did Saturday as part of our second phase of public awareness, is we had an open house and picnic. And part of your 205–J funds bought hot dogs, and potato chips, and rented a tent and we had over 200 and some people come out and tour the waterplant, tour the lakes, look at the weed harvesting machines we had purchased with our own money.

Mr. NAGLE. Our money? [Laughter.]

Mr. SMITH. That is right. Part of the education program. The Federal Government's money. Now I think we got farmers that have been polluting the watersheds, not knowing it, with nonagricultural, nonpoint pollution from barnyards, and the rest, their fields. And they did not know it. And by establishing, we have been working over 1 year now with farmers, cooperative extensions, soil and water conservation service, local soil and water conservation districts, that one program, I think the local share on that was $50,000, has so far I think, made dramatic improvements in that watershed in 1 year's time. We have a man, a farmer installing a $100,000 manure handling facility as a result of just making him aware that his cow manure was coming into the watershed, having the effect on a community of 6,000 people, putting their sewage into one stream; just above the head of our lakes. He did not know that before.

The picnic is a crazy idea, but I could have spent the same amount of money, it was $300 for the picnic, I could have spent that same amount of money for some pamphlet, and mailing, and it would have went in somebody's wastebasket. We had kids there that got to see the lakes and waterplant and people who lived here for 40 years said, I thought I was going to come up here and see a water tank. I did not think I would see all this kind of stuff. And it

is those types of things, I think, that if we had a little flexibility, I think we could really go in there swinging on some of these issues.

I hope you take this back with you because soil and water has done a tremendous job and that has not cost you much except the guy who has offered us technical assistance.

Ms. SLAUGHTER. Thank you all for coming.

Mr. ENGLISH. Our next panel is Dane Long, who is a rural affairs specialist for the Finger Lakes Health System Agency and Anthony DiMarco, the director of Ontario County Office for the Aging. Mr. Long, we will let you start things off, if you would please.

Again as we told our earlier witnesses, if you would please summarize your testimony, your written testimony will be made a part of the record.

STATEMENT OF DANE M. LONG, SENIOR ASSOCIATE, FINGER LAKES HEALTH SYSTEMS AGENCY, ON BEHALF OF RENEE REISHACK, EXECUTIVE DIRECTOR

Mr. LONG. Ms. Slaughter, Mr. English, and Mr. Nagle, I am speaking on behalf of Renee Reishack, who is the executive director of our agency and I think it is interesting that he cannot be here because at this moment he is about the same distance east and south of Rochester as I am west and south of Rochester, speaking in Clifton Springs about migrant health problems. So that is a small example of the multisort of issue nature of our agency. We are a volunteer nongovernmental, health planning agency that serves nine counties, stretching from Lake Ontario, down to the Binghamton, Pennsylvania border. We serve immediately adjacent to Genesee County here and we work very closely with the HSA's that are headquartered in Buffalo, Binghamton, Albany, and Syracuse. So we really, in terms of having a perspective on rural health issues, work together with upstate New York issues.

Most recently, as one of our major initiatives the agency undertook what was a 2-year project in trying to ascertain rural health issues in our nine counties and we produced and I believe Congresswoman Slaughter, we've made this available to your staff before, we have extra copies if anybody wished. This is an inventory of rural health issues in Finger Lakes. From the prospective of the community representatives who attended four of our community health forums and spoke about barriers, problems, and opportunities. I will not go over that because my purpose here is to suggest some strategies for Federal intervention. But let me just recap a couple of the main themes that we heard in our community health forums.

In terms of health care we heard again and again about some of the examples of tough problems of delivering comprehensive health care in rural communities. And I have come to the conclusion, and this upsets a lot of people phrased this way but it makes sense. Health issues in rural America are no different than health issues in urban America, they are just worse. They are the same issues. They are worse. They are harder to deal with and they have a greater impact because we have resources that are stretched thin and we do not have the scale and some of the numbers that allow us to address them.

Let us just think of what I call the four "A" words that really catch a lot of our current health care problems nationwide. And here we are talking about aging. We have had a number of testifiers talk about the demographics of the aging rural population. Ms. Stonecipher in the Genesee 2000 project gave us some good demographics. The aging issue in rural America is a disaster waiting to happen because they are hidden, they are quiet, there are more of them and they are poorer. And our institutions in rural America really are not prepared to handle them and I will not go much further because Tony next to me is from one of our county offices on the aging and he has a number very cogent and specific points to make about that.

Another of the "A" words is addiction. Whether it is alcohol or drugs we have heard a number. We heard the young high school student from this high school give us strong evidence that there are local drug problems in this very building. We had the mayor of Oakfield say that that is one of the major problems. It clearly is a problem and our rural health care institutions are totally unprepared to cope with it.

We have the question of AIDS. This is one of the big four "A" words. It is now a significant problem in the rural communities because in terms of impact, if you have five AIDS cases in Schuyler County you have more deleterious impact on the health care system and the ability to be responsive and confidential and sensitive and supportive to those AIDS patients than in a Harlem program that is treating a couple of hundred.

Finally we have the "A" word of accidents. Here the rural issues are a little different. There are more of them. There are farm accidents, there are auto accidents, we have the trauma, we have the triage, we have the emergency transportation systems. So again, one of the things that our task force taught us was these health care issues are not different from urban issues, they are just worse.

The other thing that this task force taught us, and this is a message to the group that we are privileged to talk to here, is that solutions from the outside, solutions that are either urban-based or that are identified by outside respondents and imposed on the rural environment do not work. And there are a lot of reasons that they do not work. People are suspicious, people want the autonomy of local control, people want self-designed programming. It is the integrity of the rural community that we have been talking about here at great lengths and we have learned that affiliation programs of the big city teaching hospital that are exported willy-nilly to the small, the LeRoys or the PennYan of our area are viewed as take over attempts. They are not viewed as attempts to come out and really be responsive.

So we say to the Federal program designers please be sensitive and do not impose either urban based or theoretically based solutions. Let the local communities work together and work with your experts and come up with some of the local sensitivity.

Let me just identify four strategies. These are specific suggestions at a Federal level about changes in either Federal Government regulations or policy or policy support that I think would have a significant effect in improving and enhancing rural health care delivery.

The first fairly technical but very important, due away with the 11 percent differential between urban and rural hospital Medicare in-patient payments but do not do away with it by trying to be revenue neutral because the urbans will not let it. You will not take it out of the urban market basket. It is a myth and it was a poor assumption that labor costs are so much less in rural areas that the rural institutions can absorb that kind of payment differential. Now the impact varies from State to State but I think the Inspector General of Health and Human Services is completely off the mark when he says that is it not the revenue stream but it is the high cost of the inefficient rural hospitals that are contributing to the problem. And he goes on to say that the small rural hospitals that are facing Medicare shortfalls should not look to the Feds for salvation. They are not looking for salvation, they are looking for survival and I think in areas such as upstate New York where it is essentially the same labor pool and the recruitment arm of the University of Rochester stretches right into this community. And this community pays the same salary scale for a physical therapist or an occupational therapist or a respiratory therapist as Rochester does so they cannot be cheaper. And that 11 percent shortfall hurts.

Second, I would say that the Feds should strongly reenter the physician recruitment and placement business. It is a crying shame and I think it is a national disgrace that the National Health Service Corps has been allowed to languish and is essentially been dismembered. The physician recruits that we have in the pipeline are pretty well at the end of their obligation and most of them are already trying to buy out their loan obligations. The impact of that program in terms of placing positions in the Oklahoma and the Iowa communities was significant. A lot of our small communities, and we have heard testimony that physician access and getting physicians in rural communities is sensitive and important, that was one of the few ways those communities could get physicians under Federal obligation to come in. Now if you do get back in the business do not make the mistake that the States are making now. Do not tie the loans to acquisition by the practitioner from a private source and then subsidize that loan package because the banks do not look favorably on the earning potential on some physician in family medicine that says he wants to practice in LeRoy. He is a much better loan bet if he wants to practice dermatology in Canadaigua. And that is counter productive to the intent of the program. So I would plead that the Feds either try and design complimentary recruitment strategies or subsidy strategies and get back into the physician recruitment business.

I would also suggest that it is important the Federal Government recognize that many of the State strategies that address the continuation or support of beleaguered providers in rural areas, community health centers, small rural hospitals, that the Feds recognize that the State approach frequently short changes those very institutions we are trying to save. And we have heard some talk here about flexibility and let me just give you an example of why it is tough to be rural in New York State. If you are rural in New York State, you look urban to Montana, Oklahoma, and Oregon. So programs at a Federal level that have numbers or have thresholds

of needs that define rurality for the States that are essentially rural it is very hard for New York State programs, even in the most isolated areas of the Adirondacks to qualify. If you are a financially eligible hospital for an alteration of role subsidy you have to be in a population area of less than six people per square mile and have no similar institution within 75 miles of you. No hospital in New York State can qualify for that. Similarly on the other end we get caught in the box that the programmatic moneys that are set aside for the AIDS and the addiction and the other "A" words, because of the way they get allocated, those funds for special programs go to the Bed-Stuys and to Harlem because that is where the major numbers are. So I would say to the Feds you have a wonderful opportunity to be flexible and to supplement some of the State programs. And by flexible, there I mean, show some ingenuity in recognizing that the conversion of a soldiers and sailors hospital in Penn Yan may cost a couple of million of dollars though it is less than a hospital but more than a diagnostic and treatment center. But do not hold it to the same standards as a free standing hospital somewhere north of Billings, Montana.

Finally, a suggestion is that there are a number of catch-22's and I think Tony might even come up with some more on his own. Catch-22's were identified by our rural panel as a series of frustrating, contradictory legislative loopholes that make it impossible to do what you want to do. And many of them are tied to the rules and regulations associated with Federal funding mandates and in particular Medicare. We have county after county here in upstate New York that cannot utilize, cannot pay for mental health services under the county mental health hygiene program because they cannot afford a full-time physiatrist. And Medicare requires that psychiatry services be provided by a full-time physiatrist. We have many health programs in New York State that run the risk of being cited by Dr. Axelrod for noncompliance because the New York standards are different from the Federal standards. So you have a choice of not being funded by Medicare or being cited by Dr. Axelrod.

We have funny little things that may be beyond the purview but here is a perfect example of a senseless catch-22. We have a lot of good transportation programs for the handicapped and those in medical need that are going into their appointments. In most of those programs, because they are run on shoestrings, they do not have health care workers on the van but the busdriver, in spite of the fact that that van is equipped with a lift to handle handicapped and wheelchair access, that busdriver is not allowed to leave from behind his wheel even if there is no attendant with the patient in the wheelchair at the roadside to help that wheelchair on and off the van because of liability insurance. I mean those things do not make sense.

So in closing I would just remind you of the four points that we would like some Federal help on in terms of doing away with the rural urban differential, getting back into the physician recruitment business, being flexible in supporting the State efforts to preserve mental health centers, community health centers, and rural hospitals, and show some sensitivity to the impact of the catch-22's. Thank you.

Mr. ENGLISH. Thank you. Mr. DiMarco?

STATEMENT OF ANTHONY DiMARCO, DIRECTOR, ONTARIO COUNTY OFFICE FOR THE AGING

Mr. DiMARCO. I want to just talk about one specific suggestion in terms of making Medicare work better for senior citizens. To paraphrase what Dane said, the single most important concern of senior citizens both in the rural areas as well as the urban area is the availability, accessibility, and affordability of health care services. And I think the solution or suggestion I have is an improvement to the quality of life for seniors as well as the quality of life and economic life of the rural areas that they live in.

Just a very brief background of Medicare to put this suggestion in context. Medicare came about after years of organizing by senior citizen groups, health associations, and labor unions and in 1965 it was finally enacted. And the purpose was to provide affordable and accessible health care to senior citizens. This was done over strong objections by the American Medical Association, however, in that battle, the physicians were able to win a number of concessions to this program. One of the most important of these was allowing physicians to charge their patients more than what Medicare sets as a fair amount for reimbursement. And this is probably the weakest part of Medicare. This means that most seniors have to pay out-of-pocket for medical services over and above what Medicare covers, known as the assignment rate. More and more seniors are unable to pay for health care. That is pretty much well documented. When doctors refuse to accept the assignment rate, out-of-pocket costs, what seniors pay out of their own pockets, goes up and this tends to force seniors to skimp on health care, skimp on the preventive care, like checkups and things that they really need. Ultimately this increases health care costs because health problems get worse and more expensive to treat the longer they are left untreated. Simply put, health care costs are taking a bigger and bigger chunk out of seniors income, which is a fixed-income, outstripping inflation, while physicians' substantial incomes are running ahead of inflation. Seniors now pay a greater percent for their health care than before Medicare was enacted. Let me repeat that. Right now seniors are paying a greater percent of their income on health care costs than before Medicare was enacted. The intent of Medicare was to help seniors pay their health care costs; so in a sense, Medicare has in effect become a failure. Medicare needs some help in order to accomplish its original intention.

In New York State there is a piece of legislation that mimics a piece of legislation in Massachusetts that is a viable solution to this problem. It is called the mandatory medicare assignment bill; in New York State the bill number is A3500. It was introduced by Assemblyman Harenburg who is the chair of the assembly committee on aging. And it would require physicians to only charge Medicare patients the assignment rate. Medicare would pay the usual 80 percent of the charge and the senior would continue to pay the usual 20 percent. Only a minority, 25 percent, of physicians in New York State now charge their patients the Medicare assignment rate 100

percent of the time. The other 75 percent of the physicians charge whatever they would care to charge.

And furthermore, again putting this in a greater context, there is no requirement that any physician treat any Medicare patient at any time. A Medicare patient can walk into a physicians office and be refused solely on the basis that they are Medicare beneficiaries.

What the State of Massachusetts did in 1985 was pass legislation, a very simple piece of one paragraph legislation, that requires physicians not to charge to or collect from Medicare beneficiaries any amount in excess of the reasonable charge for that service as determined by the Medicare administration. And this determination of a reasonable amount is calculated from the reasonable and customary charges of physicians in the area. Therefore, in Massachusetts, if a physician agrees to treat a Medicare patient, he or she must accept the assigned Medicare amount only and not charge the patient in excess of that amount. This has helped Massachusetts seniors get better control of what their health care bill would be, should be, by knowing almost in advance what their medical bills will be.

Indeed, the Federal Government reports that the Nation's 31 million Medicare beneficiaries paid $2.7 billion in doctor bills over and above charges the Government considered reasonable in 1987. And that figure averages out—and I still have a hard time believing this figure but that is the mathematical average—to $38 extra for every doctor bill that a senior paid, over and above what Medicare reimburses. I think many health activists believe that this excess billing is unnecessary and unfair to senior citizens.

In summary, the Massachusetts statute was challenged by the American Medical Association, the Massachusetts Medical Society, and was defeated. The U.S. district court listened to an appeal that the Massachusetts Medical Society permitted and that was defeated. Finally, the Massachusetts Medical Society submitted it to the Supreme Court where the Supreme Court refused to look at the legislation and therefore the legislation is the law of the land in the State of Massachusetts, the only State that has a comprehensive piece of legislation that requires physicians to only charge seniors mandatory Medicare assignment rates. It is not law of the land yet in New York State and of course, not law of the land in the Nation.

Many other States are considering similar legislation, but because of the victory in Massachusetts, the AMA and other local medical societies have stepped up their resistance and opposition and poured a lot of money into keeping these bills out of the State legislature. One of the fears is that these kinds of legislations will force physicians to leave a given State, but in fact, in Massachusetts there has been no noticeable loss of physicians. Indeed, that State has experienced a sizable increase in the number of MD's. Approximately 30 percent of the average physician's income is derived from Medicare. It would be unwise for any physician not to accept Medicare patients in any State.

Mandatory Medicare assignment legislation can singly do more for seniors than any other piece of legislation being considered this year. Given the current deficit problem, it is a kind of legislation elected officials seek. It costs the Treasury nothing, yet it helps a

sizable portion of our citizens to deal with their most important need, which is health care. What we are seeing is, because of the new burden of Medicare Catastrophic Coverage Act of 1988, the timing is very ripe for such legislation to be enacted this year.

And finally, in a larger context, it should be remembered that Medicare and Medicaid were enacted in 1965 as a compromise to a national health care program for the entire United States. Medicare serves as the foundation of guaranteed health coverage for the elderly, that is in fact, for all of us. It is the right of our citizenship that our parents and grandparents fought for through their unions, professional associations, and hard work. In a nation that shares the infamous distinction of being the only industrialized society along with South Africa, of not having a national health care program for all of their citizens, Medicare stands as the hope toward the goal of making health care a right for all of us. Mandatory Medicare assignment is a simple way to help Medicare work better for all Americans.

And just to add one other comment in terms of the quality of life in rural areas. Such a piece of legislation helps the local community by allowing seniors to have greater income to spend on other necessities that sometimes go unanswered, such as prescriptions, medication, paying for utilities, paying for home repairs, and any of a number of other important things that often just do not get attended to because of lack of available resources. Thank you.

[The prepared statement of Mr. DiMarco appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much. Mr. Nagle.

Mr. NAGLE. You did not address either aspect of health care which is our uninsured, underinsured citizens among senior status. I know you have that information from employers in the area that presumably provide the health insurance package. Is that not a problem here in this area, underinsured, noninsured?

Mr. LANE. Let me speak to it first, and then Tony might want to address it more specifically. It is a problem. I had a number of other "A" words, access was one of them but I did not want to go on at too great a length. The rural population in upstate New York probably mirrors rural populations around the country in being equally disadvantaged by the incomplete insurance access. It is made worse, and it is particularly deceptive in that most of the uninsured, Mr. Nagle, I am sure as you know, are employed. The uninsured, in terms of health care are not the nonemployed, the people who are not working. They tend to be those who work in service industries or in small companies that cannot afford the premiums or do not have them as a part of their packet. So the uninsured problem is clearly another one of those health care problems for rural America that is not different, it is just worse.

Mr. NAGLE. What is the unemployment rate in your area?

Mr. LANE. It is spotty. It varies from Buffalo all the way over to Albany.

Mr. NAGLE. In this rural segment of land which we——

Mr. LANE. I think it is 5.1. It is relatively low.

Mr. NAGLE. I do not mean to say that that is the answer, but employment is employment.

Mr. LANE. It would certainly help though.

Mr. NAGLE. Thank you.

Mr. DIMARCO. I would just add as a corollary, although I did not think of this before, but another advantage of mandatory Medicare assignment is that it would allow senior citizens to buy other Medicare, or Medigap insurance, which is in effect, an indication of their lack of medical coverage. That insurance has gone up a lot, but seniors often find themselves in a predicament of understanding that Medicare does not pay for a whole lot anyway, and they have to buy another health care insurance policy. So in a sense, they are uninsured, or rather underinsured.

Mr. NAGLE. Do you want to roll catastrophic insurance down in the context in Congress for us?

Mr. LANE. I think I will, that one is so technical that I am disturbed from our standpoint that the debate on the catastrophic has been so skewed that the real expansion of benefits which the bill and the change involves has really been down played. It is a significant expansion of benefits to the elderly population and I think the technical issues and the lobbying power of some of the elderly groups have skewed the debate. I am afraid we are going to throw the baby out with the bath on this one. And some of the technical adjustments that are before our two national legislative bodies probably will have the negative effect of affecting the wrong segment of the elderly any way, the elderly poorer. It is a—I do not have any shortcuts there.

Mr. DIMARCO. There are some good qualities to the act, but I think overall, seniors are complaining that first of all, they wanted something else, and second, they are paying for something that they do not really see that they will receive benefit from. It only affects a very small percentage of seniors. And I think that is the advice that the Congress should really look at if you are going to enact a major national piece of legislation; it really should have an impact on the vast majority of seniors. They really want legislation that covers long-term care. That was the original intent. Somehow it got lost.

Mr. NAGLE. That complaint to me is like, the guy complains that he has not collected on his life insurance policy. There is a certain amount of that feeling.

Mr. ENGLISH. Ms. Slaughter.

Ms. SLAUGHTER. Just one comment, Tony, on Medicaid, and there is not one single thing that gives me more sleepless nights. A doctor told me that when his mother died, she had 16 policies that she was paying on, none of which probably would have done her a whit of good. And I know in the past, one of the things that we did at senior centers or regional councils was to have people on staff to help seniors decide if they are carrying the kind of policies they should. Are you all doing that?

Mr. DIMARCO. I do not think there is any office for the aging in New York State that every single day, there is not a senior that comes in with a stack of application forms from this insurance company or that insurance company, and says, which one should I buy? In New York State, we are a little fortunate, we have a good guide that helps people make a sort of shopping comparison. But it is so complex for seniors to figure out and some of my staff really go home with headaches trying to figure this out.

Ms. SLAUGHTER. A man and his wife that came to see me last week, had paid over the last 5 years about $10,000, money that they desperately needed and it is a disgrace.

Mr. LANE. If I might, I tend to dislike anecdotal testimony, but I was trained as a hospital administrator and my father with a master's degree in engineering, and the final 4 years of my mother's life in California, I spent 1½ days a week, and my father spent 1 week a month, coordinating either the care givers or the paperwork on her terminal illness. Now we had the resources, we had the intelligence, we had the information, we were aggressive, we were nasty, we could do it. How many people can do that? I mean the coordination and the issues and the complexity and the lack of understanding and the lack of information are just mind boggling. It is obscene.

Mr. ENGLISH. Thank you very much, gentlemen. We appreciate your testimony. Our next panelists are Albert Hawk, vice president of the New York State School Boards Association and Michael Robinson, principal of Board of Cooperative Education Services, No. 1 Rush Campus.

Welcome gentlemen. Mr. Hawk, we will let you start off the testimony.

Again, please summarize your testimony if you would please.

STATEMENT OF ALBERT W. HAWK, VICE PRESIDENT AND AREA 2 DIRECTOR, NEW YORK STATE SCHOOL BOARDS ASSOCIATION, INC.

Mr. HAWK. Good afternoon. It is nice to see you again. It is nice to see some out-of-State people also. I have been in Cedar Rapids, Iowa. The only place I went, they close the McDonald's at 9 o'clock on a Saturday night. You had to go hunting for another place to eat. I just thought I would let you know that.

Ms. SLAUGHTER. Next time, go to Nagle's house.

Mr. ENGLISH. At least in that town they have a McDonald's. In mine we do not even have one. [Laughter.]

Mr. NAGLE. How do you like our gravel roads? [Laughter.]

Mr. HAWK. Just a comment before I start my part. The gentleman from LeRoy, was testifying about much of the Northeast wearing out, especially the infrastructure, and that does include schools. This has been brought home to me in my travels across the country. I have been in Montana and Wyoming and Mississippi and some of the other States that also have a lot of rural area which makes our rural areas look fairly urban. The fact that some States are celebrating their 100th anniversary while New York and those in the Northeast are in the 200's and the 250's does make a lot of difference in what needs repairing and needs fixing. So I thought that was quite interesting that he brought that out.

Well anyway, I am going to paraphrase a lot of this—you have the written testimony, so we will not go through the whole thing.

The New York State School Boards do appreciate the opportunity to come in and talk with you. We have 750 districts, in the State and about 350 would be considered rural.

We measure rural status by density, enrollment, economy, community values, and most of all, self-perceptions, because in many

areas, people do not like to be called rural and some areas they want to be called rural. So it all depends on how you feel about it.

The advantage of being rurally aware is that it alerts us to untypical and often innovative ways to build cooperation among all types of schools and communities. On the other hand, overemphasizing rural can lead to isolation. A rural us, versus the urban them attitude, is something which we certainly do not wish to foster. And I would like to add, that urban poverty is concentrated and very visible. Rural poverty is dispersed and hidden. You do not see it. You have to crawl around the country roads up in the back where there is one track and you find out where some of these people live and I am sure that is true of all States. The concentration in urban areas many times gets the attention as opposed to the parts you cannot see.

Anyway, our association serves its membership most effectively when it stresses a theme of unity and common concern among all constituencies. We hope that the ideas that we bring you today may inspire some Federal strategy not only to help cities, suburbs, and rural communities learn about one another, but also to help rural public schools to meet the long range community-wide needs of their environment.

One of the issues I would like to talk about is stress in rural communities. The economic distress and its resulting social distress, has caused out migration from the rural areas. Some of the rural communities are slowly dying as you probably know. Their school districts are getting smaller. The homes are not being bought and so forth.

One point I would like to make, before I get too far into it, is that many times I hear speakers equate rural agricultural problems and rural as being the same problem in the country. The agricultural-based rural problem is a large problem, but it only affects a very small percentage of the overall population which is in the rural areas. Many live there and commute 50 miles or 100 miles or do not have any work at all. You cannot equate rural and agricultural totally together and I think we find that happening. We want you to be aware of that when you are discussing these issues.

There is heavy unemployment, even though it is not as bad here. In 1986, the unemployment rate for rural areas was about 26 percent higher than urban areas, however, it is less today. Another problem that leads to it, 22 of New York's 62 counties have lower per capita incomes as well as higher percentage of people living below the poverty level than the national average. All but two of these counties are considered rural.

Economic disadvantages also produce social ill effects. Increasing rates of suicide, homicides, marital disruption, self-abuse, et cetera. In 8 of the 23 rural counties of this State, the proportion of babies born to teenage mothers is higher than the national average of 13 percent. The highest percentage is in a county located north of Albany which is on the fringe of the Adirondacks.

Outside of the State, a gentleman by the name of William O'Hare did a 1988 report on the rise of poverty in rural America. He stated that more than 1 of 5 rural families were living below the poverty level. The educational implications of these statistics and trends are alarming. When children fall victim to poverty, the

circumstances for effectively educating them are made more difficult, irrespective of the quality or breadth of the educational programs that may be available.

The statistics also indicate that we are discouraging the best educated individuals from staying or returning to the community, the traditional brain drain that we talk about then happens. Federal data show that the more education a person has, the greater the cost in lifetime earnings for that person, if he or she stays in the rural setting. In 18 of the 20 upstate disadvantaged counties that may be considered rural, the percentage of adults with college degrees is lower than the national average of 16.2 percent.

Another study that was done in 1988, called the Forgotten Half, by the Grant Foundation, verifies for a large segment of the rural population what has already been borne out by young families living in rural areas, their situation is unstable. Among the report's recommended solutions, there are many with special meaning in rural settings and direct relevance for your plans to propose comprehensive rural development legislation. No aspect of a young person's life experience can be isolated from other aspects if a positive difference is the aim.

Trying to set conditions for schools for success, for example, will not work well unless there are complementary efforts within the students' families, homes, and the entire community.

The Forgotten Half study concentrates on the plight of noncollege-bound students. More and more they now fall between the cracks when they are in school, drop out, or graduate. They are inadequately prepared for the requirements of society and the workplace. And the problem is, that their workplace probably is not in their home community. They also will learn, if they have a skill, that they will have to go somewhere else to earn a living.

I am especially concerned about those students who cannot go or decided not to go to college and for whom there is woefully inadequate public funding available for training and employment preparation programs. Our association shortly will publish a pertinent position paper on the topic entitled, "Student Literacy." We would be pleased to forward copies of these to you when we have it printed in the next month or two.

Another subject, school-community relationships. Four community oriented educational programs that are gaining momentum in New York State. One is known as the community schools programs, or the schools as community sites. This is an effort to coordinate human service delivery and economic development through the schools. For instance, in my hometown, Dansville, which is 40 miles south of here, they finally have a development agency together, which does include the school board as an integral part of it. The schools then would become pilot sites to test new ways to operate as a help for all services required to improve student performance in distressed communities.

Another issue is that sometimes the schools are looked upon as the only agency that seems to be able to cope with problems, and so they give them all the problems. And I know my friends will tell you, as well as I will, the school cannot solve all the problems for all the kids nor all the community. However, as a coordination agency I think it has some possibilities.

Youth community service is another area, which has potential to combat youth unemployment, and can instill positive civic values and community commitment and learning skills. There is no comprehensive or statewide youth service program in New York State at the present time.

With regard to rural schools and economic development, it is no longer sufficient for chamber of commerce representatives to brag about or criticize the local schools when driving by is as close as they have come to a personal visit. Nor is it any longer appropriate for local school boards not to have continuing contact, preferably face to face, with organizations that represent the local business community as well as other leaders in local government. I think that has been discussed at some length and school business partnerships need to be developed.

Another group that has put together some information, and I have a copy of their report, is the Heartland Center for Leadership in Lincoln, Nebraska. Maybe you may have heard of them. They have done quite a bit of research and based on case studies, the Heartland Center has developed an experienced, tested set of strategies for strengthening connections between rural schools and their community's economic welfare. I will be leaving a copy with you.

We encourage you to include in your rural development legislation, the financial and program incentives to help test strategies in a variety of rural settings.

And finally, early childhood services. As statistics stated earlier, we suggest that small and rural communities experience many high risk conditions for children and youth that were once thought to be prevalent only in major cities. Research points to a dangerous intergenerational effect. In short, parents may pass on to their children the same values or habits that prompted them to stop short of finishing school. To break this cycle, educators have found that early intervention is especially effective.

Early childhood education stands out as a method. Our association advocates a major, phased-in expansion of early childhood services, relying on both Federal and State financial supports. We believe that the public schools are the logical vehicle for service delivery because, among other reasons, they are publicly accountable and have the wherewithal to do the job well.

It might come as some surprise to you, but the State School Boards Associations of Texas, California, New Jersey, and New York, are working together on Federal legislation. We have called for Federal legislation that would accomplish among other things, the following: Facilitation of coordinating early childhood support services, including health, nutrition, family support, and involvement; targeting economically disadvantaged children; requiring the use of qualified personnel, and centralized administration of early childhood programs in public schools. We are advocating that only public schools should be permitted to apply for Federal funds for early childhood education and finally, requirements for meaningful parental involvement.

We do appreciate your support of the Hawkins bill, H.R. 3. I think that has some good possibilities and we are looking forward to seeing what can be done with it.

A couple of additional priorities. One is research. Much of the research directed toward rural educational issues has had serious drawbacks—mainly because it has not been statewide or national. It has been done in spotty measures, a little bit here a little bit there. And I think that is one of the bigger problems.

We are encouraged by plans set forth by Cornell University scholars to create a State office for rural research, which I hope becomes a reality and works with the other nationwide groups that do rural research.

Staffing. Two years ago our association conducted a study of recruitment and retention of quality teachers in small and rural New York districts. Surveying both superintendents and experienced teachers, we found out that 55 percent of the superintendents faced rising elementary school enrollment, 61 percent were having difficulty filling positions, 84 percent were struggling with an insufficient number of applicants, and 68 percent were having difficulty finding applicants with appropriate certification—problems which were intensified by the rural districts' need for individuals with multiple certificates.

Interestingly, having a family in the area, and viewing the community as a good place to raise a family, and having grown up in the area, were key attractions noted by responding teachers. One lesson from our study is that a rural community's future teachers may well be found in that community's high school class, as students. These kids do tend to come back to the rural communities, where they were educated.

In keeping with our study, we urge you to build into your proposals the notion of a teacher corps. In other words, seek provisions that will encourage students to enter the profession of teaching with guaranteed support in their preparation from fellowships and scholarships. Special priority should be given to attracting minority individuals to teaching and to retaining such individuals in teaching positions where they often are least apt to be found, yet may be most needed, in rural and small school districts.

The subject of technology has been beaten to death, but there is a lot of it in use and I think that it does help. Distance learning along with many other new technology-based methods is opening opportunities for rural children across the country.

A recent position paper published by the New York School Boards, Instructional Technology: Policies and Plans, made recommendations on this subject. We are happy to share this with you if you would be interested.

Flexibility is the by-word. Here in New York State we are 5 years into an era of educational reforms encompassed by a board of regents action plan. As has been true for many other States, the first phase of reform in the 1980's has pressed many rural and small districts hard. This has been especially true where new course requirements, such as mandated in New York, "2 years of foreign language instruction before the end of grade 9," have been imposed in situations where staffing is very difficult to find.

We are convinced that future Federal legislation should rely heavily on the cooperative willingness of schools and communities to plan their own educational destinies without excessive Federal or State procedural interference. This point is underscored in a

1989 report on the Federal role in education, published by the Rochester-based National Center on Education and the Economy. And I quote: The aim of Federal policy should be to create the conditions under which local people have strong incentives to meet the needs of students and maximize freedom to figure out how to produce those results.

May this idea serve as an inspiration for your future proposals. The State School Boards Association and I thank you for allowing us to participate. And we hope that we have been helpful to you. Thank you very much.

[The prepared statement of Mr. Hawk appears at the conclusion of the hearing.]

ENGLISH. Thank you, Mr. Hawk. Mr. Robinson.

STATEMENT OF MICHAEL A. ROBINSON, PRINCIPAL, RUSH CAMPUS, BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Mr. ROBINSON. Good afternoon. Thank you for giving me this opportunity.

I think one of the things that we are most concerned about at our BOCES is that we deal with approximately 11 percent of the counties that are housed in New York State. That means that I have the responsibilities for education for the seven counties that touch Monroe, plus the city of Rochester. We would probably have Toronto if the lake was not in the way. We deal as far south as Dansville, almost to Syracuse, almost to Buffalo. Our geographic riding area can be as much as 2 hours for a child one way. That is how unique our program is. It is agriculturally based. It is built on that concept of BOCES No. 1 Monroe, which has been a leader for many years in new ideas.

We are located on East River Road on 326 acres of New York State land. And we rent from New York State and is given to the division for youth where industry is located. We rent from them for $1 a year, this 326 acres, and run five programs. There is the handicapped program, which is for emotionally disturbed and learning disabled children.

The dropout prevention program, which is for children that are not codalable but I imagine you could call them major spoiled brat syndrome. Where the IQ's range 111 to 160 plus. The fruit of our Nation's youth goes out through that dropout prevention program. It is our sole job to bring them back in line because there is so much good there.

We also deal with the down to Earth program. In this little article out of the Xerox Management Association, it talks about what was learned by the vice president that went there, in the management development group. The wilderness setting because it offers a high degree of predictability and little ambiguity evolves, coping, as opposed to defensive behavior. Such experiences foster team work and self-improvement. This course and there is a typo in this information I gave you, we deal with 7,000 transient students and adults. The Xerox Management School Board Association's and administrators go through this program.

We also have a nature center that we started last week, or last year, that is used through both seasons to the tune of approximately 2,000 students and part of the community.

The issue that concerns our BOCES is agriculture. We have a very small staff. There are 13 of us. I have as a principal, am responsible for normal education, both the home school education, handicapped education, the at-risk education, and the uniquely different education. The issue for us is pride and it is the pride that if we can get children from terrible families, children that have no pride, to develop pride that they can do better, and one of the common goals that we deal with is: I have a handicap, what does that mean? And we are not talking about retarded citizens. Yes, we do have some of those. We are talking of the normal functioning kids. The kids that we have from LeRoy or from Warsaw, or Pavilion, that everybody says, let us send them to BOCES. No, we have kids now that are begging to come to our BOCES in this particular program.

It is, the object in life is not how many times you fall down, it is how quick you get up. And this is what we are trying to teach our children. They may not be rocket scientists, but more and more of them are going to school. The zero option child, the child that everybody has given up on because they are too hot to handle, 82 percent of those zero option children come to our program and become taxpayers when they leave. They maintain jobs through OVR placements and extra placements that we have that are guaranteed especially our handicapped students through the law.

We have kids at Ohio Diesel School. A young lady at Morrisville. Last year my four little learning disabled children won the State judging contest at Cobleskill. They beat out six junior colleges and a whole group of high schools. Not because they were special ed, because they had pride and they believed that they could do it. And we spend a lot of time on that.

My teachers are unique. My herdsmen, he worked for the Roosevelt. Highly recommended, 2-year degree. New York State, you cannot teach. So what we did was we got him vocationally certified and now he is going on for his baccalaureate and then his masters, but probably the most valuable teacher I have met is as far as the ability to relate now.

One of the things that we deal with is teaching work habits and attitudes. We all need to have them. Bringing it out through most of it, they were fining this morning for this, there are approximately, the major focuses that we have are the education students, about agricultural awareness. But not as agriculture as a demeaning job. But agriculture as important, experience that all of us have to partake in because that does indeed guarantee our future. And agriculture is the vehicle to teach work habits and attitudes. We would like to recognize and properly fund existing programs that produce optimum learning outcomes in a meaningful fashion on an annual basis. We do believe and my people are set up in their shops and programs to be able to account for every nickel and dime, and the children are part of that. Where did we fail? We were $10 over on feeding the calves on a weekly basis but we had 30 percent efficiency on our selling.

Endorse, implement, and fund agricultural school programs that provide a definite payback to a student and a program in the form of job placement and postsecondary education. It is important that we deal with that continuing. This one is probably the most important. Provide learning facilities on a long-term basis. My lease with the State of New York is up every 5 years. In a 6-month notice this program can be shut down. If a program, either through grants or deeds to properties, we must have it so that the comprehensive programs can be taught long term. We cannot afford to be long term when we have a winning approach with children that no one else has had.

Children net, we have involved new policies with, such as, if you get involved with legal agencies the first time you will go to court with one administrator or another. This has had a profound affect on the courts. We have been able to reach in and help the courts train this child rather than incarcerate him or give them a fee of punishment to change them into taking mandatory drug and alcohol evaluations from their seeking help. And drugs and alcohol are major problems in schools. And we are dedicated to the point that if they do have a problem in society we must change it now and we must go in as a unit. Their parents, the administrators, and the student, and he must pay. But he must pay fairly and learn from it.

We have a farmers advisory committee and I guess we call it agricultural advisory committee. The last page here is devoted to what they feel very strongly would help the young farmer which is shrinking in the type of people that we need in this field to guarantee success for the Nation. No. 7, exploit each and every market and export possibility and find new ones for processed agricultural products. It is a lot of terms that simply means that if the Japanese, and I had the farmer explain it to me, if the Japanese buy our beef we must learn how to cut our beef to process it for them rather than to sell it as a whole unit and let them process it. We do have jobs that are needed to be handled by our Nation and we can handle them. It will cost some retraining.

And it was 6 months ago that the Japanese came in and looked at our starter herd. They thought it was some of the finest beef that New York State had to offer. Now they are coming, we have 32 animals that the kids now own, BOCES does not own them. Anything that makes money the children bought on their own, they bought on their own student profit share. The issue there is that any profit can be divided amongst the students. And the profit is being, very simply, if you do not go to class you get a zero. You go to class and you do good average work you get a one. If you do excellent work you get a two. At the end of the day you can have from zero to 20 points, at the end of 10 weeks you get a check and you earned it and it is your money. The student government corporation is one of the issues that has been very important along with leadership skills.

Let me say that agriculture is an important field. And let me also say that in education that every child has the right to complete education. And every child has the right with education to go further. Just because the child has had a problem in the beginning

does not mean that we have to hold them to the task of not being able to succeed. Thank you very much.

[The prepared statement of Mr. Robinson appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. Robinson. Ms. Slaughter.

Ms. SLAUGHTER. No questions. Thank you for coming.

Mr. ENGLISH. Thank you very much.

Mr. HAWK. Can I just make one comment before we leave. I think that this is important to your legislation. Every so often when I get into national meetings we get into all kinds of arguments over the standard metropolitan statistical areas designation. As a for instance in New York State, my county borders on Monroe County, and therefore we can not be rural. We are not allowed to be rural because we have a piece of our border that is contiguous with a highly metropolitan area. If you rely on that kind of statistics when you write your legislation you are going to cause a lot of trouble for people that are truly rural but cannot be classified that way because they do border on a metropolitan area. I just want to make sure that you might take that into consideration when you are looking into your legislation.

Mr. ENGLISH. Thank you very much. I appreciate that. Our next witness today is Mr. Richard Moyle who is general manager of Steuben Rural Electric Cooperative. Mr. Moyle.

STATEMENT OF RICHARD A. MOYLE, GENERAL MANAGER, STEUBEN RURAL ELECTRIC COOPERATIVE

Mr. MOYLE. Good afternoon, I am glad to be here. I represent Steuben Rural Electric Cooperative. We are headquartered down in Bath and in Cherry Creek, New York. We serve residential, farm, and small business people and have for about the past 50 years now. We are proud of our history. We are not big but we do look at our members as the first and foremost. We serve them by giving them the lowest utility rates we can, and, believe it or not, New York State does have some of the lowest electric utility rates in the country. Many of these are preferentially given to new and growing businesses which I think is very important for economic development in general.

By providing lower cost rates we have been promoting rural development. We promote it in addition by promoting electric appliances, farm automation and other electric uses. Just last year we joined in with the National Rural Telecommunications Cooperative in providing television service to our rural people.

In New York approximately 4 rural electric cooperatives and 40 telephone cooperatives provide service to most of our rural counties. This is a close link for economic development.

In our service area unemployment and underemployment is high and I think underemployment is probably our bigger problem. In the middle of the summer our co-op advertised for a moderately skilled entry level position and I was absolutely surprised by the number of applications. There were almost 50 people who were over qualified for their current jobs. This does not count the other applications that we received. I personally went through them and I found 50 that I could identify, of people who were working in jobs

that were not using their skills. Many of the applications, needless to say, were over qualified for the position that we had available. This is a terrible waste. In the competitive world that we are in, we cannot afford to waste this great resource.

It is not that these people do not want to work hard; they just do not have the jobs available to use their skills in the rural areas. They want to stay in the rural areas. Those of us who live in these areas recognize the natural beauty and the different pace of life that we see every time we go visit the city. We like that. This is a place that people want to live. We need some way to bring jobs to these people so that they can contribute with the talents they have.

Rural New York has many other advantages for businesses. Labor costs are relatively low in the rural areas of New York. There is plenty of workers who are available and willing to work hard. These people do not want to get a handout, they want jobs. Land costs are low. Acreage in rural Steuben County, good farm acreage goes for about $400 per acre. Acreage that you could use for a super highway, or for a business not concerned with the quality of the land sells for $100 to $200 an acre. That is cheap.

We have people from other agricultural States where urbanization is taking place, coming to our area to move their farm here. They can sell their farm, come back here, and still farm. They really appreciate that, but we need to take advantage of that.

As I said before, we have low utility rates for people. Sadly, these rural areas do not have a lot of the capital resources that we need. Our infrastructure, our roads, our bridges, our schools, and our hospitals, all are below par to say the least, compared to what urban areas have. I moved recently to Steuben County from an urban area, and was quite surprised to find out that the things we took for granted in urban schools just are not there.

A gentleman earlier talked of those students that were not bound for college. Those that are bound for college, cannot find an SAT prep course in their high school. My son's high school there has no Latin course. It is shown that these courses help these kids get into very competitive colleges and universities. These are things we do not have. We do not have a calculus course in our local high school. These are things we need to find a way to get to our children.

The courses are not offered at the high schools, because the number of students who would take them is small. We need to have a way to get to these students.

We do have our people. What we need from Washington is some capital and some money to get our infrastructures back up to where they should be. We need to make the rural places as attractive for business as they are for the people who want to live there.

The Federal Government has had rural development in the past. My personal experience is with the REA. REA has been a very successful program for developing rural areas. Electricity is available in most places in the country. We still find people without it in our area and fortunately we have a very good program to get it to them. We pay for the electric line as long it is along a county, State, or town road and 400 feet in. That is very liberal policy. We feel that this is part of our obligation as rural electric to serve these people.

The rural electric program has worked because it has had the cooperation and commitment of both Federal and local people. Public and private as well. This has helped the cooperatives to become financially sound and contributing members of their communities. Most of this is done by hard work, but Federal financial and technical support was very important in putting it over the edge and making it a real success.

Rural development should build on this type of success. REA does have successful working relationships in most of the country. This is through the co-ops. The co-ops have to deal very closely with the people. I am the manager there, but the people who we serve, are all member-owners in the co-op and that ownership is very important to us. If I forget that, they let me know. It is just like being a Representative. People back home always let you know. We feel that this private/public connection should be exploited and used as much as possible.

In summary, I would like to ask you in any rural development bill that you produce, that it provide rural areas with the capital they need to leverage their local investment and business investment from other areas to develop jobs for the people. We need to have funds to support our infrastructures, our roads. In New York, bridges have been a critical part of roads. We have roads that we cannot drive our utility trucks over because the bridge is closed to trucks that are that heavy. That makes it very difficult to serve. It is a very critical problem in New York. And our schools and our hospitals need your support.

I would like to see a leadership role for the Rural Electric Association Administration and for the Rural Electric Cooperatives.

We all need rural development, but we need program that works.

Thank you very much.

[The prepared statement of Mr. Moyle appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you. We appreciate your testimony.

A couple of years ago, in 1987, the Agricultural Credit Act was passed, a provision was included in that which would allow the REC's to use up to 15 percent of their capital investment in rural development. The cooperative that you belong to, what amount has been utilized for that purpose?

Mr. MOYLE. Right now, by the choice of the members, we are allowed up to, use up to 5 percent to support the television effort in rural communities. I do not know if you are aware of what it is like in rural New York, but in the southern part of this part of the State, you have a lot hills. In many places there is no television reception.

Well, TV is entertainment, but it is also educational. When you go home, you cannot watch the news at night. The kids come home, with an assignment to watch the news tonight. They can't. So we are providing TV.

My particular co-op has a very low equity fraction, for a number of historical reasons, and in fact our equity is only about 20 percent so it is very difficult for us to put at risk. But I think if there were some sort of Federal moneys available to contribute to some program that it would be much easier to convince my board of directors to help in that area. We have been working with a couple of

local businesses to try to get proposals together, using the small amount of money that is available through the cushion accredit program currently at REA. We have not completed any of those yet, but we do have a number of people that are interested in using that. And of course, about $1 million of interest free loans that REA has to spread around.

Mr. ENGLISH. This 15 percent, you say that your board has agreed to go with 5 percent.

Mr. MOYLE. Which is approximate one-quarter of the members total ownership of the co-op.

Mr. ENGLISH. OK, but they——

Mr. MOYLE. They have not denied anything on the rest of it at this point.

Mr. ENGLISH. Excuse me?

Mr. MOYLE. They have not said that they would not——

Mr. ENGLISH. Do they, are they agreeing to do anything other than the television?

Mr. MOYLE. Not at this point, we have not, no.

Mr. ENGLISH. So, have they considered any projects other than television? Has there been a proposal for the use of that money by any of the communities that are served by REC's?

Mr. MOYLE. No, there have not.

Mr. ENGLISH. So none of the communities are aware of the fact that the REC is allowed to do this? Have you all taken this——

Mr. MOYLE. We have talked to a number of our larger small businesses of which we have about 12, about this. Some of them are somewhat interested but they all have their own priorities.

Mr. ENGLISH. Communities as a whole have not been——

Mr. MOYLE. As a whole it has not, no.

Mr. ENGLISH. Has the REA provided you with any guidelines for the use of these funds at all?

Mr. MOYLE. The only guidelines we have seen were the regulations that they came out with, I believe in the late spring this year.

Mr. ENGLISH. Did you receive no encouragement, anything?

Mr. MOYLE. They have not said one thing one way or another on it.

Mr. ENGLISH. I see. Mr. Nagle.

Mr. NAGLE. It is easy to suggest you provide more capital on it. I agree that you have identified the need, but you have also defended the biggest story that we have right now, is capital. What are your thoughts on where we get that capital, other than just sending another tax program out.

Mr. MOYLE. The current REA Program, which is a loan program and not a, here is the money—take it and go away, has, I think, been very successful as a loan program. Over $19 billion of loans have been made and only $47,000 has not been paid. I think that is a tremendously good record that the program has had there. I do not know on the business side whether, I do not think just to write out a handout to any business is a prudent thing for the national government to do. I think that a loan program that gets cooperation of all of the local people together behind it is important.

I think it is also important that any of those things that are provided are done with significant investment on the private side. That is a very important thing there.

Mr. NAGLE. Thank you.

Mr. ENGLISH. Ms. Slaughter.

Ms. SLAUGHTER. Just one comment, you mentioned that there were some people within your area without electricity and Commissioner Gerace mentioned the same thing this morning. How severe is that problem would you say, Mr. Moyle?

Mr. MOYLE. In absolute numbers?

Ms. SLAUGHTER. Well, give me approximate percentage of people in rural areas you think are not served by electricity.

Mr. MOYLE. I would say in our area it is probably a small percentage, maybe half a percent of the total population. It is hard to put a number on it. We generally find them when we have someone who just happens to be driving through a very low populated area. We have lots of hills and everything so you cannot see the place from a long way off and they will just sort of stumble on the fact that there is a house back there. And knowing what our extension policy is, they will go back and find out what the situation is and see if they are interested.

Ms. SLAUGHTER. Have you had applicants or people who have asked you to provide electricity that have not come under your guidelines, and that you have not been able to serve?

Mr. MOYLE. Generally, the people who are not within our guidelines are people who are building seasonal places, a summer cottage or a hunting lodge, and we do not think that that is an appropriate use of that type of a policy. But just about, well, one case that comes to my mind right now, that stands out is about 1 year ago, we found a family that was living in a trailer about three-quarters of 1 mile from our electric line. And they were about half a mile from the nearest other utility. Somebody evidently had told them that they would have to pay to have the line. They were living right by the edge of a town road. Town roads are usually dirt roads in New York. Once we found that they were there our superintendent went out and asked: "You know you can get electricity?" They said, "Yes, but we have to pay $10,000 to get it." He said, "No. You just have to pay $25 to become a member." And a month later we were there. There were two young preschool children living in this house. They had a hand pump well, and an outhouse. Everything that all of us thought long since gone, and the property had been given to them. They were just getting started in the area. They did not, they could not afford to turn down a free place to live. It is nice to be able to take electricity out to those people. They have not missed a payment.

Ms. SLAUGHTER. Thank you very much.

Mr. ENGLISH. Thank you very much, Mr. Moyle.

Mr. MOYLE. Thank you.

Mr. ENGLISH. And I want to say before we recess too, how much we appreciate the hospitality of the people of this area. You have been very kind to us and we certainly appreciate the fine testimony we have gotten. Louise, I want to thank you for inviting us up here. It has been very kind of you, and we are looking forward to working with you as we develop this legislation. So if there are no more comments, no more testimony, we will recess at the call of the chair. Thank you very much.

[Whereupon, at 4:10 p.m. the hearing was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT ON BEHALF OF THE NEW YORK STATE OFFICE OF RURAL AFFAIRS TO THE UNITED STATES HOUSE OF REPRESENTATIVES AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT REGARDING THE NEED FOR COMPREHENSIVE FEDERAL RURAL DEVELOPMENT LEGISLATION

SEPTEMBER 11, 1989
LeROY, NEW YORK

GOOD MORNING. MY NAME IS JOSEPH GERACE. I AM THE DIRECTOR OF THE NEW YORK STATE OFFICE OF RURAL AFFAIRS AND HAVE LIVED IN RURAL NEW YORK ALL OF MY LIFE. I SERVED AS A TOWN SUPERVISOR OF A COUNTRY TOWN AND AS A COUNTY EXECUTIVE OF THE LARGEST GRAPE GROWING COUNTY IN THE STATE. I ALSO SERVED AS COMMISSIONER OF THE NEW YORK STATE DEPARTMENT OF AGRICULTURE. I APPLAUD YOU AND OUR OTHER REPRESENTATIVES IN OUR NATION'S CAPITAL FOR RECOGNIZING THAT THERE IS A LONG LIST OF UNMET NEEDS OF OUR NATION'S RURAL POPULATIONS AND THAT A FARM BILL STANDING BY ITSELF IS NOT AN ADEQUATE RESPONSE TO THOSE UNMET NEEDS. RURAL DEVELOPMENT SHOULD BE A NATIONAL PRIORITY BECAUSE OF THE EVER WIDENING RURAL-URBAN ECONOMIC GAP. MOST URBAN AREAS IN THE PAST 10 YEARS HAVE EXPERIENCED PROSPERITY, BUT THIS HAS NOT BEEN TRUE IN RURAL AMERICA. ONLY WITH RURAL DEVELOPMENT CAN WE IMPROVE THE QUALITY OF LIFE FOR OUR RURAL POPULATIONS. YOU KNOW THAT THE BASIC PROGRAMS AND CONCEPTS, WHICH OUR MORE URBAN AND SUBURBAN CENTERS TAKE FOR GRANTED, SUCH AS: QUALITY EDUCATION, DELIVERY OF HUMAN

SERVICES, DEVELOPED INFRASTRUCTURE AND SOPHISTICATED TRANSPORTATION SYSTEMS, EMPLOYMENT OPPORTUNITIES, BUSINESS DEVELOPMENT, QUALITY HEALTH CARE, ELECTRICITY AND RUNNING WATER IN THE HOME, AND ACCESS TO STATE OF THE ART TECHNOLOGY, ARE VERY REAL PROBLEMS FACING OUR RURAL AREAS.

I ALSO APPLAUD THIS SUB-COMMITTEE FOR HOLDING ITS HEARING IN NEW YORK AND WANT TO GIVE SPECIAL PRAISE TO CONGRESSWOMAN LOUISE SLAUGHTER FOR HER INFLUENCE IN BRINGING THE SUB-COMMITTEE HERE. AS SHE WELL KNOWS, 3 MILLION PEOPLE LIVE IN RURAL NEW YORK. FEW IN WASHINGTON REALIZE THAT NEW YORK STATE HAS APPROXIMATELY 8,599,600 ACRES OF FARMLAND, NEARLY HALF OF THE STATE, OR 16,516,900 ACRES IS FOREST COVERED. A RECENT ARTICLE CITED TWENTY TWO OF NEW YORK'S RURAL COUNTIES AS "POOR COUSINS" BECAUSE THEY ARE BELOW THE NATIONAL AVERAGE IN CATEGORIES SUCH AS; PER CAPITA INCOME, NUMBER OF DOCTORS, AND COLLEGE GRADUATES.

THE NEW YORK STATE OFFICE OF RURAL AFFAIRS WAS ESTABLISHED BY THE GOVERNOR AND THE STATE LEGISLATURE IN 1986 AS THE FIRST IN THE NATION CABINET LEVEL STATE AGENCY TO SERVE AS AN ADVOCATE AND OMBUDSMAN FOR THE INTERESTS OF RURAL AREAS. RATHER THAN PROVIDING DIRECT SERVICES, OUR MISSION IS TO ENSURE THAT STATE GOVERNMENT SERVES RURAL AREAS AT LEAST AS WELL AS IT SERVES URBAN AREAS. WE WORK TO STRENGTHEN COMMUNICATIONS BETWEEN STATE GOVERNMENT, LOCAL GOVERNMENTS, BUSINESS AND SERVICE ORGANIZATIONS IN THE RURAL AREAS OF THE STATE. FORTY FOUR OF NEW YORK'S SIXTY TWO COUNTIES AND THE THREE MILLION NEW YORKERS LIVING THERE BASICALLY CONSTITUTE RURAL NEW YORK'S RURAL CONSTITUENCY.

LIVING IN RURAL AREAS PROVIDES SPECIAL BENEFITS BUT PRESENTS

UNIQUE CHALLENGES AS WELL. RURAL NEW YORKERS, LIKE OTHER AMERICANS, FACE A MYRIAD OF PROBLEMS INCLUDING ACCESS TO HEALTH CARE AND HUMAN SERVICES, SOLID WASTE MANAGEMENT, ECONOMIC DEVELOPMENT, JOB CREATION AND RETENTION, EDUCATION, GROUNDWATER, AFFORDABLE HOUSING, TRANSPORTATION, A SENSE OF ISOLATION, LACK OF ACCESS TO STATE OF THE ART TECHNOLOGY, AND THE LIST CAN GO ON. THESE PROBLEMS, WHILE IN SOME INSTANCES MAY NOT BE UNIQUE TO RURAL AREAS, ARE CERTAINLY EXACERBATED IN RURAL AREAS DUE TO LARGE AREAS OF OPEN SPACE, SPARSE POPULATIONS AND SMALL TAX BASES. A COMPREHENSIVE NATIONAL RURAL DEVELOPMENT LEGISLATIVE PROGRAM IS VITAL IN ORDER TO BOTH ENHANCE AND PRESERVE THE QUALITY OF RURAL LIFE.

I AM HERE TESTIFYING BEFORE YOU TODAY IN ORDER TO MAKE CERTAIN THAT THE NEEDS OF RURAL AMERICA, INCLUDING THE NEEDS OF RURAL NEW YORK ARE ADDRESSED IN YOUR DELIBERATIONS AND LEGISLATION. IT IS IMPORTANT FOR OUR NATIONAL LEADERS TO BE AWARE THAT THERE IS MORE TO NEW YORK STATE THAN OUR WELL KNOWN URBAN CENTERS.

SENATE RURAL PARTNERSHIPS ACT OF 1989

AS YOU ARE AWARE, THE UNITED STATES SENATE DID PASS A SENATE BILL (S.1036) WHICH ADDRESSED MANY IMPORTANT ISSUES AND PROVIDED FUNDING FOR MANY NEEDED INNOVATIVE RURAL DEVELOPMENT PROGRAMS. THE OFFICE OF RURAL AFFAIRS SUPPORTS THE CREATION OF A FEDERAL/STATE LOCAL RURAL PARTNERSHIPS PROGRAM AND THE VARIETY OF PROGRAMS WHICH THE SENATE BILL CREATED AND/OR EXPANDED. THAT BILL IS BASICALLY A GOOD BILL. BUT AS GOOD AS IT IS, I URGE THE HOUSE OF REPRESENTATIVES TO IMPROVE ON THAT LEGISLATION TO ADEQUATELY ADDRESS SOLID WASTE DISPOSAL, INFRASTRUCTURE, AND HEALTH AND HUMAN SERVICE NEEDS. RATHER THAN ADDRESS EVERY PROGRAM WHICH IS

CONTAINED IN THE SENATE BILL, IT IS MY INTENTION TO PROVIDE YOU WITH ADDITIONAL INSIGHT INTO PROBLEMS AND CHALLENGES FACING OUR RURAL COMMUNITIES AND TO OFFER YOU ADDITIONAL SUGGESTIONS ON HOW, WORKING TOGETHER, WE MAY SOLVE THESE PROBLEMS AND MEET THE CHALLENGES.

RURAL ELECTRIFICATION

THE SENATE RURAL PARTNERSHIPS ACT LEGISLATION (S.1036) PROVIDES FOR AN INCREASE IN FUNDING TO THE FEDERAL RURAL ELECTRIFICATION ADMINISTRATION (REA) IN ORDER TO DEVELOP AND IMPLEMENT VARIOUS TELECOMMUNICATIONS PROGRAMS FOR RURAL AREAS. THE OFFICE OF RURAL AFFAIRS VIGOROUSLY SUPPORTS PROGRAMS WHICH WILL MAKE STATE OF THE ART TECHNOLOGY AVAILABLE IN RURAL AREAS.

ONE ISSUE WHICH THE SENATE LEGISLATION DID NOT ADDRESS IS THE LACK OF ELECTRICITY IN SOME RURAL AREAS. WHILE IN THE EARLY PART OF THIS CENTURY THE FEDERAL GOVERNMENT CREATED REA IN ORDER TO BRING ELECTRICITY INTO RURAL HOMES AND BUSINESSES, FUNDING FOR THIS TYPE OF WIDESPREAD PROGRAM HAS CEASED. INCREDIBLE AS IT MAY SEEM IN THIS DAY AND AGE, HUNDREDS OF NEW YORKERS WHO ARE FORCED TO STRUGGLE DAILY WITHOUT THE MODERN NECESSITY OF ELECTRICITY SINCE THEY CANNOT AFFORD THE HIGH COST OF THE INITIAL INSTALLATION. THAT RANGES FROM $30,000-60,000 IN SOME CASES. IT IS SIMPLY NOT ACCEPTABLE THAT AS WE PREPARE TO ENTER THE 21ST CENTURY THERE ARE VETERANS, ELDERLY, DISABLED PERSONS AND LOW INCOME FAMILIES LIVING WITHOUT WHAT WAS ONCE A LUXURY AND IS NOW AN EXPECTED NECESSITY. WE STRONGLY URGES THE HOUSE TO PROVIDE FEDERAL FUNDING TO REA FOR RURAL ELECTRIFICATION PROGRAMS; WITH THE GOAL OF AFFORDABLE ELECTRICITY TO ALL AMERICANS.

STATE OF THE ART TECHNOLOGY, SUCH AS TELECOMMUNICATIONS EQUIPMENT, IS VITAL TO EDUCATION AND ECONOMIC DEVELOPMENT IN RURAL AREAS. WITHOUT ACCESS TO THIS SOMEWHAT EXPENSIVE TECHNOLOGY, RURAL AREAS WILL CONTINUE TO DEVELOP AT A SLOWER PACE LAGGING BEHIND URBAN AND SUBURBAN COMMUNITIES. WE SUPPORT AND ENCOURAGE CONTINUED FUNDING AND SUPPORT FOR PROGRAMS SUCH AS THE RURAL STAR SCHOOLS EDUCATIONAL OPPORTUNITIES PROGRAM. WE ALSO SUPPORT THE RURAL MEDICAL LINK TELECOMMUNICATIONS PROGRAM AND THE RURAL BUSINESS LINK TELECOMMUNICATIONS PROGRAM WHICH THE SENATE INCLUDED IN ITS RURAL PARTNERSHIPS ACT LEGISLATION. WE CANNOT ACCEPT THE FACT THAT THE COST OF TELECOMMUNICATIONS EQUIPMENT PRICES IT BEYOND THE REACH OF OUR RURAL COMMUNITIES. RATHER, WE MUST FIND INNOVATIVE WAYS TO MAKE SUCH TECHNOLOGY READILY AVAILABLE AND A PART OF EVERYDAY LIFE IN RURAL AMERICA.

NEED FOR ACCURATE DEFINITION OF RURAL AREAS

THE VERY FIRST QUESTION WHICH MUST BE ASKED AS YOU BEGIN TO CREATE A RURAL DEVELOPMENT PROGRAM IS, "WHAT IS A RURAL AREA?" THE FEDERAL GOVERNMENT ALL TOO OFTEN DEFINES AS "RURAL" ALL AREAS IN A STATE OUTSIDE OF AN OFFICE OF MANAGEMENT AND BUDGET STANDARD METROPOLITAN STATISTICAL AREA (SMSA) OR THE OUTER BOUNDARY OF ANY CITY OR TOWN HAVING A POPULATION OF 20,000 OR MORE. THIS DEFINITION, ALONG WITH SLIGHT VARIATIONS WHICH HAVE BEEN PROPOSED, IS NOT ADEQUATE TO MEET THE NEEDS OF THE RURAL POPULATION IN THIS NATION, AND CERTAINLY NOT THE RURAL RESIDENTS OF NEW YORK STATE. IN FACT, ANY DEFINITION OF "RURAL," IS LINKED WITH SMSAs, EXCLUDES OUT 16 OF NEW YORK'S 44 RURAL COUNTIES.

WHAT IS CONSIDERED "RURAL" IN IOWA, NEBRASKA AND OKLAHOMA IS

NOT NECESSARILY THE SAME AS WHAT IS "RURAL" IN NEW YORK STATE. NEW YORK'S DEFINITION IS BASED ON COUNTY POPULATIONS; THEREFORE, A COUNTY IS OR IS NOT CONSIDERED RURAL. I AM CERTAIN THAT OTHER STATES HAVE VERY DIFFERENT FORMULA'S FOR DETERMINING WHAT IS APPROPRIATELY RURAL IN THAT STATE. THE FEDERAL LEGISLATION WHICH YOU ARE DEVELOPING SHOULD RECOGNIZE THE DIVERSE "RURAL" NATURE OF THIS COUNTRY, AND AS YOU ARE DEVELOPING PROGRAMS AND SUPPORT FOR RURAL AREAS, I URGE YOU TO ADOPT A DEFINITION OF "RURAL" WHICH WILL NOT DISCRIMINATE AGAINST RURAL COMMUNITIES WITHIN AND SMSA OR LET THE STATES DETERMINE WHAT AREAS AND WHAT POPULATION SHOULD QUALIFY.

RURAL HEALTH CARE

IN ORDER TO GUARANTEE RURAL DEVELOPMENT, WE MUST MAKE CERTAIN THAT QUALITY HEALTH CARE IS ACCESSIBLE TO OUR RESIDENTS. I URGE THIS COMMITTEE TO PASS LEGISLATION THAT WILL PROVIDE DOLLARS FOR MEDICAL LINK TELECOMMUNICATIONS SYSTEMS SO THAT MEDICAL PROFESSIONALS WILL NOT CONTINUE TO EXPERIENCE A FEELING OF ISOLATION. IT IS IMPERATIVE THAT THE FEDERAL GOVERNMENT SUPPORT AND FUND PROGRAMS WHICH WILL ENCOURAGE MEDICAL PROFESSIONALS TO PRACTICE IN RURAL AREAS. THIS MEANS WE MUST OFFER INCENTIVES TO DOCTORS, NURSES, RADIOLOGISTS, ETC. IN THE FORM OF STUDENT LOAN DEFERMENT AND/OR FORGIVENESS, SPECIAL RELOCATION PROGRAMS AND OTHER TYPES OF BONUSES.

WE MUST ALSO REVERSE THE TREND WHICH HAS RESULTED IN THE CLOSING OF HUNDREDS OF RURAL HOSPITALS ACROSS THIS COUNTRY. HOSPITAL REIMBURSEMENT SYSTEMS MUST BE EQUITABLE BETWEEN RURAL AND NON-RURAL HOSPITALS. AFTER ALL, QUALITY HEALTH CARE AND STATE OF THE ART MEDICAL TECHNOLOGY COSTS THE SAME WHETHER A PATIENT IS

BEING CARED FOR IN NEW YORK CITY OR IN WESTERN NEW YORK. I URGE THIS COMMITTEE TO INCLUDE IMPROVEMENT OF RURAL HEALTH CARE IN YOUR LEGISLATION.

TRANSPORTATION

STATE TRANSPORTATION OPERATING ASSISTANCE FUNDS COMBINED WITH FEDERAL SECTION 18 FUNDS HAVE BEEN MAJOR FACTORS IN ENSURING THAT PUBLIC TRANSPORTATION SERVICES IN RURAL NYS WERE MAINTAINED AND IN SOME CASES EXPANDED DURING THE 1980'S. HOWEVER, THERE ARE STILL MANY RURAL AREAS THAT ARE UNDERSERVED OR HAVE NO PUBLIC TRANSPORTATION AT ALL. THIS IS DUE TO A NUMBER OF REASONS. SOME AREAS ARE CHARACTERIZED BY LOW POPULATION DENSITIES AND LONG DISTANCES BETWEEN POPULATION CENTERS, MAKING PUBLIC TRANSPORTATION AN EXPENSIVE PROPOSITION. RURAL CITY AND COUNTY GOVERNMENTS, FACING SHRINKING FEDERAL FUNDING FOR OTHER PROGRAMS, HAVE FOUND IT DIFFICULT TO PROVIDE RESOURCES TO MEET GROWING TRANSIT DEFICITS OR HAVE SHIED AWAY FROM STARTING NEW SERVICES. IN ANY EVENT, IT IS CLEAR THAT EXISTING LEVELS OF STATE AND FEDERAL FUNDS ARE NOT SUFFICIENT TO MEET RISING COSTS AND INCREASING DEMANDS.

NEW YORK STATE RAISED ITS LEVEL OF OPERATING ASSISTANCE TO RURAL OPERATORS BY APPROXIMATELY 20% AS RECENTLY AS 1987. WE CONTINUE TO ENCOURAGE THE FEDERAL GOVERNMENT TO HALT THE DOWNWARD TREND OF SECTION 18 FUNDING AND INCREASE FUNDING LEVELS IN FUTURE YEARS.

AT THE SAME TIME THAT THERE IS A LACK OF PUBLIC TRANSPORTATION, THERE ARE ALSO ANY NUMBER OF HUMAN SERVICES AGENCIES THAT PROVIDE TRANSPORTATION ONLY TO THEIR CLIENTS. MANY OF THESE SERVICES ARE HEAVILY, IF NOT EXCLUSIVELY, SUPPORTED BY

GOVERNMENT FUNDS FOR BOTH CAPITAL AND OPERATING NEEDS. THE PROBLEM, HOWEVER, IS THAT MANY OF THE SERVICES ARE INEFFICIENT AND, EQUALLY IMPORTANT, THEY LEAVE LARGE SEGMENTS OF THE POPULATION UNSERVED OR UNDERSERVED. IT IS NOT AN UNUSUAL SITUATION TO HAVE TWO BUSES, NEITHER OF WHICH IS AT FULL CAPACITY, OPERATING OVER SIMILAR ROUTES AT THE SAME TIME, ONE PROVIDED BY A PUBLIC OPERATOR FOR THE GENERAL PUBLIC AND THE OTHER PROVIDED BY AN AGENCY FOR ITS CLIENTS ONLY.

THE NEED TO COORDINATE TRANSPORTATION SERVICES AND THE PROGRAMS THAT FUND THEM IS PRESSING. WE SUPPORT AND ENCOURAGE THE EFFORTS ON THE FEDERAL LEVEL TO DO THIS. MORE WORK NEEDS TO BE DONE ON THE ELIMINATION OF UNNECESSARY RESTRICTIONS ON THE USE OF FUNDS WHILE STILL ENSURING THAT THE FUNDS ARE USED FOR THE APPROPRIATE TARGET GROUPS AND FOR THEIR INTENDED PURPOSE. ONE RESTRICTION NYS WOULD LIKE TO SEE CHANGED IS THE CURRENT PROHIBITION AGAINST THE OPERATION OF 16(b)(2) VEHICLES BY A PUBLIC BODY WHEN THE PUBLIC BODY IS ALSO A PROVIDER OF GENERAL PUBLIC TRANSPORTATION. NYS HAS RECENTLY EMBARKED ON A STATE PROGRAM TO DEVELOP COORDINATED PUBLIC TRANSPORTATION SERVICES IN OUR RURAL AREAS. WE ALSO HAVE A POLICY THAT 16(b)(2) GRANTS, IN COUNTIES PARTICIPATING IN THE PROGRAM, BE AWARDED ON A PREFERENTIAL BASIS TO THE OPERATOR OF THE COORDINATED SERVICE. WE CAN SEE, HOWEVER, THAT THE CURRENT RESTRICTION ON 16(b)(2) VEHICLES WILL BE A REAL BARRIER TO MEANINGFUL COORDINATION IN THE SITUATION WHERE A PUBLIC BODY, EG. A TRANSPORTATION AUTHORITY, WILL BE OPERATING THE COORDINATED SERVICE BUT WILL BE UNABLE TO INCLUDE THE 16(b)(2) VEHICLES IN THE SERVICE.

WE SUPPORT AMENDING THE UMT ACT TO ALLOW 16(b)(2) GRANTEES TO LEASE VEHICLES TO PUBLIC BODY OPERATORS IN RURAL AREAS TO PROVIDE SERVICE TO THE ELDERLY AND DISABLED AS PART OF AN OVERALL COORDINATED PUBLIC TRANSPORTATION SERVICE.

NATIONAL RURAL POLICY

A SOUND COMPREHENSIVE RURAL DEVELOPMENT BILL SHOULD PROVIDE FOR THE CREATION OF A PERMANENT LEAD AGENCY WITHIN THE FEDERAL GOVERNMENT, OUTSIDE OF THE U.S.D.A., USING THE NEW YORK STATE OFFICE OF RURAL AFFAIRS AS A MODEL. WITHOUT A LEAD AGENCY, THE POTENTIAL FOR RURAL ADVOCACY AND STRONG RURAL POLICIES IS SEVERELY LIMITED. IT SHOULD BE THE RESPONSIBILITY OF THIS AGENCY TO DEVELOP AND IMPLEMENT A COORDINATED NATIONAL RURAL POLICY INITIATIVE.

LAST YEAR, FOUR REGIONAL RURAL DEVELOPMENT POLICY WORKSHOPS WERE SPONSORED BY THE U.S.D.A. EXTENSION SERVICE, THE DEPARTMENT OF LABOR, THE FARM FOUNDATION, THE ASPEN INSTITUTE AND THE ECONOMIC DEVELOPMENT ADMINISTRATION. THE PROCEEDINGS OF THESE WORKSHOPS, ENTITLED "FOCUS ON THE FUTURE, OPTIONS IN DEVELOPING A NEW NATIONAL RURAL POLICY" TO EXPRESS WHAT IS NEEDED TO MEET THE NEEDS OF OUR RURAL POPULATION.

WE INCLUDE AN OUTLINE OF PRIORITIES AND RECOMMENDATIONS FOR COMPREHENSIVE RURAL POLICY FOR STRATEGY AND ACTION AS FOLLOWS:

PRIORITIES IN RURAL AMERICA

Continuing current and past policies will inevitably mean a further widening of the rural-urban economic gap. In 1980, for example, per capita federal funds for human resource programs (education, food and nutrition, health and human services) were $51 in rural areas and $86 in the cities. In 1985, per capita federal

expenditures for all functions were $3,192 in urban counties and $2,478 in rural counties, 22 percent less. Two-thirds of the federal dollars that come back to rural areas go for income maintenance -- social security, Medicare, and farm subsidies -- while only 50 percent of the federal dollars returning to urban areas is used for income maintenance. This again puts rural residents at a disadvantage proportionately since they have less money with which to generate new wealth in the form of economic development efforts, infrastructure financing, transportation, etc.

The issue of disparity that places rural communities at a disadvantage should be addressed at the federal level. Recognizing the uniqueness of rural problems and adjusting programs to fit the causes of these problems will help to move the rural economy forward.

NEED FOR A COMPREHENSIVE RURAL POLICY BALANCING PHYSICAL INFRASTRUCTURE AND CAPACITY:

The following outline suggests elements leading to a comprehensive rural development policy:

A. Expanded balanced physical infrastructure to include telecommunication and rural medical delivery systems

- Emphasize federal support contingent on matching state - local commitment with flexible guidelines

- Provide private incentives for modernization of telecommunications and rural medical systems

- Emphasize support for rural community planning and incentives for efficiency for providing services

B. Build capacity of rural residents to compete and solve problems

- Target rural health and education for funding equity

- Utilize rural schools to reduce illiteracy

- Target and broaden job training

- Technical assistance for community planning

C. Creation business opportunities

- Target federal purchases and international trade expansion

- Expand rural business management education

- Establish business service centers

- Establish private/public capital pools

STRATEGY FOR ACTION:

In a time of federal budget deficits and Gramm Rudman spending limits, it is obvious that limited funds are available for expanded rural development programs. However, many initiatives could be implemented by adopting and targeting specific programs to meet existing rural needs.

For other initiatives, the issue becomes one of priorities. There is a need to recognize that the establishment of a lower priority on rural development today will make the problems more difficult to deal with in the future. Past neglect has made todays rural problems more difficult to remedy. Continued neglect of rural problems will cost more to deal with in the future.

The top priorities should be the human resource component. From a short run perspective, this means the small targeted - private investments designed to foster rural business development. Emphasis should be place on developing and educational base for small business managers, developing rural business service centers and providing a capital tool for the establishment and expansion of well conceived rural business ventures, i.e. JDA, Rural Enterprise Zones, Small Business Centers.

In the long run, rural problems can best be solved through

improved education and elimination of illiteracy. There is need for a partnership between the Department of Education and Department of Labor to develop and improve rural education systems which would include both youth and adults. The third order of priority would require public investments to make rural areas a rural partner in communication technologies and medical delivery systems.

There is a need for flexibility in the administration of federal rural development programs. Such flexibility can best be provided by an emphasis on state and local control of project priorities and implementation of methods. The preferred rural development system involves coordination from the bottom - from the state and local as opposed to the federal level.

Furthermore, effective rural development policy cannot be implemented on a single agency basis in the current configuration of government agencies. Consequently, there must be coordination across government agencies at all levels as well as coordination across congressional committees.

To provide this coordination, it is essential that the federal government exercise leadership in designing and implementing programs to solve rural problems. Such leadership must be sufficiently flexible to address problems where they exist and in the form that they exist. The need for flexibility and coordination across agencies is perhaps the greatest problem facing

rural development policymakers.

EXPANDED BALANCED PHYSICAL INFRASTRUCTURE, ENCOURAGEMENT OF LOCAL CAPACITY BUILDING IN ORDER FOR RURAL RESIDENTS TO COMPETE AND SOLVE PROBLEMS, AND THE CREATION OF BUSINESS OPPORTUNITIES WHICH WILL, IN TURN, PROMOTE JOB CREATION AND RETENTION.

CONCLUSION

IN A TIME OF FEDERAL BUDGET DEFICITS AND GRAMM RUDMAN SPENDING LIMITS, IT IS OBVIOUS THAT LIMITED FUNDS ARE AVAILABLE FOR EXPANDED RURAL DEVELOPMENT PROGRAMS. HOWEVER, MANY INITIATIVES COULD BE IMPLEMENTED BY ADOPTING AND TARGETING SPECIFIC PROGRAMS TO MEET EXISTING RURAL NEEDS.

FOR OTHER INITIATIVES, THE ISSUE BECOMES ONE OF PRIORITIES. THERE IS A NEED TO RECOGNIZE THAT THE ESTABLISHMENT OF A LOWER PRIORITY ON RURAL DEVELOPMENT TODAY WILL MAKE THE PROBLEMS MORE DIFFICULT TO DEAL WITH IN THE FUTURE. PAST NEGLECT HAS MADE TODAY'S RURAL PROBLEMS MORE DIFFICULT TO REMEDY. CONTINUED NEGLECT OF RURAL PROBLEMS WILL COST MORE TO DEAL WITH IN THE FUTURE.

THE TOP PRIORITIES SHOULD BE THE HUMAN RESOURCE COMPONENT. FROM A SHORT RUN PERSPECTIVE, THIS MEANS THE SMALL TARGETED PRIVATE INVESTMENTS DESIGNED TO FOSTER RURAL BUSINESS DEVELOPMENT. EMPHASIS SHOULD BE PLACED ON DEVELOPING AN EDUCATIONAL BASE FOR SMALL BUSINESS MANAGERS, DEVELOPING RURAL BUSINESS SERVICE CENTERS AND PROVIDING A CAPITAL TOOL FOR THE ESTABLISHMENT AND EXPANSION OF WELL CONCEIVED RURAL BUSINESS VENTURES, i.e.- JDA, RURAL ENTERPRISE ZONES, AND SMALL BUSINESS CENTERS.

IN THE LONG RUN, RURAL PROBLEMS CAN BEST BE SOLVED THROUGH IMPROVED EDUCATION AND ELIMINATION OF ILLITERACY. THERE IS NEED

FOR A PARTNERSHIP BETWEEN THE FEDERAL GOVERNMENT, STATE EDUCATION AND LABOR DEPARTMENTS AND LOCAL GOVERNMENTS IN ORDER TO IMPROVE RURAL EDUCATION SYSTEMS.

THERE IS A NEED FOR FLEXIBILITY IN THE ADMINISTRATION OF FEDERAL RURAL DEVELOPMENT PROGRAMS. SUCH FLEXIBILITY CAN BEST BE PROVIDED THROUGH AN EMPHASIS ON STATE AND LOCAL CONTROL OF PROJECT PRIORITIES AND IMPLEMENTATION OF METHODS. THE PREFERRED RURAL DEVELOPMENT SYSTEM INVOLVES COORDINATION FROM THE GRASS ROOTS. IT IS, HOWEVER, ESSENTIAL THAT THE FEDERAL GOVERNMENT EXERCISE LEADERSHIP IN DESIGNING AND FUNDING PROGRAMS TO SOLVE RURAL PROBLEMS.

THANK YOU FOR THIS OPPORTUNITY TO SHARE OUR CONCERNS AND SUGGESTIONS WITH YOU.

STATEMENT OF

THE NEW YORK STATE GRANGE

presented by

BERT S. MORSE, MASTER

I am Bert S. Morse, Master (President) of the New York State Grange, an organization of 25,000 members, representing four hundred sixty local community units and 53 county units. Our members are primarily active agriculturalists, small community residents--whose jobs cover a wide range of occupations. Much of the prosperity and economics of these areas are dependent upon a prosperous agriculture and its related impacts.

After the debacle of Tinanmin Square and the hopes of the Chinese people that had been raised; we are most appreciative of this opportunity to share our thoughts, while at the same time we realize the accompanying responsibilities. America is still a land of opportunity.

History show that the Grange has long championed rural America by developing control of the abuses of the Rail Roads, through establishment of the Interstate Commerce Act. The Grange has long been a champion of rural education: the Smith Hughes Act, establishing Vo-Ag education (and its sister component in Home Economics) is an example.

EDUCATION

Education is still of primary concern especially in light of the decline of the Board of Cooperative Educational Services (BOCES) programs, brought about by the New York State Board of Regents Plan. BOCES programs are needed; can you help to preserve its integrity?

Accompanying this is a major decline in Vo-Ag departments. A good illustration of this is in the County of Cortland, a prime agricultural area. There is now only one partial Vo-Ag program, whereas fifteen years ago there were six in Cortland County. School superintendents lay the blame for this demise on costs of the program and declining enrollment based on the decline in farms. Considerable evidence is available that these programs are still needed and job opportunities for graduates from these programs are readily available.

Adult Education through the Cooperative Extension Service (another Grange success story!) can be a viable service to rural people. We question whether the recent move into more centralization outweighs the previous more local, personal attention services of before. The Extension Service has a long record of achievements. Its shared

financial support has been a strength, as also has its ability to meet needs of vastly differing economic factors of the various locals.

FAMILY CONCERNS

Programs in our schools that deal with the growing drug problems must be strengthened. More family involvement could, and should be an active ingredient in the fight on drugs. Homes that are stable, where togetherness is shown, where the youth feel free to talk with parents, where parents take the time to listen--has long been a philosophy and a keystone of the Grange.

Congresswoman Pat Schroeder, has been speaking out in recent months, on the need of bringing the family together; on the need to foster morality. Strong family units build strong communities. Strong communities are better able to attack problems that relate to each respective community. This could well be a major factor in improving our rural areas.

Governments are not the complete answer to solutions. Yes, finances are necessary, but if more of our tax money could be retained locally, many times local administration of programs can be more efficient, less costly, and more in tune with the community's needs.

ENERGY

Within the month, I have returned from an environmental study on the Northern Slope in Alaska. Much has been said and written about oil, exploration, and the environment. Oil has long played a part in our industrial growth, our chemical advances, and in our standard of living.

Our memories are short if we have forgotten the oil embargo of the 1970's. The nation's dependance on foreign oil must be cut. Alternative sources of energy must be developed. On the Northern Slope, rational planning and implementation by industry, government and environmentalists, has provided viable solutions in developing this resource, and in minimizing effects on the environment.

In the months ahead, Congress must make the decision to continue this development. Energy sources, at reasonable prices, are a key factor

for agriculture, for rural communities. We do not have a mass transit system, subsidized by government, as urban areas do. Farm production, transportation to places of employment, are major users of petroleum products that are so vital to rural areas. This also has major effects on balance budgeting, balance of payments in foreign trade--key Grange policies.

THE ENVIRONMENT

Environmental issues are calling for attention: the use of pesti--cides and herbicides--vital to food production--needs policies that are workable for the producer and offers protection to the consumer. This is possible.

Radical policies, as promoted by small but vociferous groups, fre--quently gain the attention of legislators. Current policies in New York State, as determined by Envirionmental Conservationists, have proven catastrophic, costly and unworkable.

RURAL HEALTH ISSUES

Rural health issues need studying. The closing of small hospitals places a strain on rural people. Quality health programs can be de--veloped. Many communities are without health care. Rural health clinics have addressed and provided care for many communities.

The Federal medicare catastrophic program is not working. Costs continue to rise; people are being denied needed care. Rising costs of liability insurance must be controlled. Socialized medicine is not the answer.

Education on proper diets and nutrition can have a two-fold purpose: better health and reduction of surplus food costs. This issue is being addressed by the newly-developing Grange program of "Visioning." More needs to be done. The New York State Office of Rural Affairs is also addressing the health issues.

The rising costs of health insurance is a major health issue which must be addressed. Many rural citizens cannot afford health insurance, yet they do not dare be without it. Many people use the services of Blue Cross and Blue Shield. In fact, New York State Grange has a program with Blue Cross/Blue Shield of Central NY, for its membership. Over the past several years these costs have risen dramatically.

Blue Cross/Blue Shield is a not-for-profit corporation. Yet we note major physical expansion with a new building program. Conservative by nature, the Grange questions the superlatives in this building program, if efficiency of operation is not the key. While a beautiful building may be nice, it is not always necessary--or at least can be modified.

Salaries of top executives is an area that calls our attention. A real service could, and should be rendered to rural people, which would include a study of the Health Insurance business and the accountability of such programs.

CONCLUSION

As we bring these many issues to your attention, we recognize that there is a price tag attached. We recognize that resources are limited. Already the ever increasing government expenditures weigh heavily on the economy, on private initiative, on research, and on the image and feeling of achievements so necessary to the nation that has been the leader.

JOHN LINCOLN, VICE-PRESIDENT
NEW YORK FARM BUREAU

I AM APPEARING HERE TODAY ON BEHALF OF NEW YORK FARM BUREAU, A 23,000 MEMBER GENERAL FARM ORGANIZATION. FARM BUREAU TODAY IS VITALLY CONCERNED ABOUT RURAL NEW YORK AND ABOUT THE AGRICULTURAL INDUSTRY WHICH PLAYS SUCH A LARGE ROLE IN THE RURAL, AND OVERALL, ECONOMY OF NEW YORK STATE.

AS THIS IS A CONGRESSIONAL HEARING, I WILL CONFINE MYSELF TO THOSE FEDERAL EFFORTS WHICH IMPACT UPON RURAL NEW YORK. I WILL BE SPEAKING ABOUT TAXES, TRANSPORTATION, HEALTH CARE, AND FARM POLICY. THESE AREAS IMPACT DIRECTLY UPON THE HEALTH AND DEVELOPMENT OF AGRICULTURE AND THE RURAL ECONOMY.

FIRST, TAXES. TO CLOSE THE FEDERAL DEFICIT GAP THERE ARE DISCUSSIONS CONCERNING AN INCREASE IN THE FEDERAL TAX ON GASOLINE, UP TO 50 CENTS/GALLON. I CAN HARDLY CONCEIVE OF ANY OTHER MEASURE WHICH WILL BE MORE EFFECTIVE IN RETARDING RURAL DEVELOPMENT THAN BY SHARPLY INCREASING THE COSTS OF TRANSPORTATION FOR THE CITIZENS OF RURAL NEW YORK. NO BUSES, TRAINS, OR SUBWAYS EXIST TO REPLACE AUTOMOBILES AND TRUCKS TO TRANSPORT PEOPLE AND GOODS IN THE COUNTRY. RURAL INDUSTRY AND AGRICULTURE WILL BOTH FACE TREMENDOUSLY INCREASED COSTS. WHY WOULD A BUSINESS BE ATTRACTED TO A RURAL COMMUNITY WHEN IT CANNOT AFFORD THE PRICE OF SHIPPING ITS PRODUCTS AND MATERIALS? ANY INCREASED FEDERAL TAXES ON TRANSPORTATION STRIKE DIRECTLY AT RURAL DEVELOPMENT EFFORTS. IN NEW YORK CITY, WHICH HAS A LOW PER CAPITA CONSUMPTION OF GASOLINE, AN ADDED TAX SOUNDS LIKE A GOOD IDEA BECAUSE IT WON'T COST MUCH. IN RURAL NEW YORK, IT'S POISON. FOR EXAMPLE, DID ANYBODY TAKE A SUBWAY TO GET HERE TODAY?

FARM BUREAU ALSO WISHES TO POINT OUT THE INCREASING BURDEN UPON THE PROPERTY OWNER IN NEW YORK AS A RESULT OF INCREASING TAXES. THIS STRIKES A DIRECT BLOW AT THE LAND-BASED ECONOMY OF RURAL NEW YORK. THE PROPERTY OWNER CARRIES THE BURDEN OF LOCAL GOVERNMENT SERVICES IN NEW YORK. WE CANNOT AFFORD ACTION BY THE FEDERAL GOVERNMENT WHICH WILL WORK TO INCREASE THAT BURDEN. USING FEDERAL FUNDS TO BUY LAND, WHICH WILL THEN BE TAKEN OFF THE TAX ROLLS, ONLY INCREASES THE TAX BURDEN TO REMAINING PROPERTY OWNERS. WE ARE OPPOSED TO THE AMERICAN HERITAGE TRUST ACT. THE BUSINESS CLIMATE IN NEW YORK FOR FARMERS ALREADY PUTS US IN AN UNCOMPETITIVE SITUATION WITH NEIGHBORING STATES. WE DO NOT NEED FEDERAL ADDITIONS TO THAT BURDEN.

SECOND, THE FEDERAL COMMITMENT TO TRANSPORTATION MUST BE MAINTAINED. THE ABILITY TO SAFELY AND EFFICIENTLY TRANSPORT GOODS TO MARKET IS VITAL TO RURAL DEVELOPMENT. AGRICULTURE AND ALL OTHER COMMERCE IN UPSTATE NEW YORK EXISTS BECAUSE OF ROAD, RAIL, AND WATER TRANSPORT. THE PUBLIC WELFARE OF THE STATE OF NEW YORK DEPENDS UPON THE ABILITY TO MOVE THE PRODUCE OF THE COUNTRY TO FEED THE CITIZENS OF THE CITIES.

AS WE KNOW, AGRICULTURE IS THE DOMINANT INDUSTRY IN RURAL NEW YORK. FEDERAL FARM AND ENVIRONMENTAL POLICIES MUST BE DESIGNED TO ENCOURAGE A GROWING AND HEALTHY INDUSTRY, NOT ONE CHOKED ON REGULATION. THE HEALTH OF THE RURAL ECONOMY DEPENDS UPON IT. FARM BUREAU SUPPORTS A PRACTICAL ENVIRONMENTAL PROTECTION WHICH BALANCES THIS COUNTRY'S NEEDS FOR A PRODUCTIVE AND PROFITABLE AGRICULTURAL SECTOR WITH CONCERN FOR THE LONG-TERM HEALTH OF OUR LAND AND WATER RESOURCES.

THE USE OF CHEMICAL INPUTS IN AGRICULTURE IS NECESSARY FOR MODERN COMMERCIAL PRODUCTION. THE SAFETY OF THESE PRACTICES MUST BE EVALUATED ON A SOUND SCIENTIFIC BASIS, NOT ON FEAR AND HYSTERIA. WE BELIEVE THAT THE PROPOSED KENNEDY/WAXMAN FOOD LEGISLATION IS FLAWED IN PROPOSING A RISK ONLY STANDARD FOR PESTICIDE EVALUATION. A STANDARD WHICH WEIGHS BOTH RISKS AND BENEFITS HAS PROVEN EFFECTIVE AND SHOULD BE MAINTAINED. THE REAL CONCERNS ON FOOD SAFETY MORE PROPERLY BELONG REGARDING INSPECTION, PROCESSING, AND HANDLING, AND LESS WITH PRODUCTION.

HEALTH CARE IN RURAL NEW YORK IS OF INCREASING CONCERN. QUALITY HEALTH SERVICES ARE INCREASINGLY DISTANT AS RURAL HOSPITALS CUT BACK. SOME MEASURES WHICH NEED TO BE ADDRESSED INCLUDE 1) THE EQUALIZATION OF MEDICARE PAYMENTS BETWEEN RURAL AND URBAN HOSPITALS, AND 2) THE MAINTENANCE OF, AND INCREASE IN, THE TAX DEDUCTION FOR HEALTH INSURANCE COSTS FOR SELF-EMPLOYED TAXPAYERS. THE CURRENT 25% DEDUCTION CEASES THIS YEAR. THIS MUST BE EXTENDED, AND SHOULD BE INCREASED.

THE DOMINANCE OF THE SELF-EMPLOYED FORM OF BUSINESS ORGANIZATION AMONG THE AGRICULTURAL COMMUNITY AND THROUGH ALL OF RURAL NEW YORK HAS, DUE TO THE ESCALATING COSTS, LIMITED THE HEALTH CARE COVERAGE BOUGHT BY EMPLOYERS FOR THEIR EMPLOYEES AND THEMSELVES. ADDRESSING THE DEDUCTIBILITY ISSUE WILL AID IN IMPROVING THE HEALTH CARE OF RURAL NEW YORKERS.

WE ALSO LOOK FORWARD TO WORKING WITH THE REST OF THE CONGRESS ON NEXT YEAR'S FARM LEGISLATION. IT IS NECESSARY FOR CONGRESS TO CONSIDER THE INTERESTS OF THE INDIVIDUAL PRODUCER, ON HIS OWN FARM, FOR THAT IS THE BACKBONE AND THE REAL EXPERTISE, OF THE AGRICULTURAL INDUSTRY IN NEW YORK. THE IMPORTANCE OF FARMING TO NEW YORK'S RURAL DEVELOPMENT DEMANDS THE ATTENTION OF POLICYMAKERS TO THE LONG-TERM HEALTH OF NEW YORK'S MOST EFFICIENT RURAL PRODUCTION INDUSTRY.

FARMERS IN NEW YORK, THROUGH THEIR FARM BUREAU ORGANIZATION, HAVE CONSISTENTLY SUPPORTED A MARKET ORIENTED APPROACH TO FEDERAL FARM POLICY. MANDATORY PRODUCTION CONTROLS, SUCH AS QUOTAS, HAVE NOT BEEN FAVORED. BALANCING SUPPLY AND DEMAND IS ALWAYS A CHALLENGE IN FARMING, AND NEW YORK FARMERS HAVE OVERWHELMINGLY SUPPORTED EFFORTS TO EXPAND MARKETS AND TO ACHIEVE MARKET PRICING. THE OVER-ORDER PRICING EFFORT THROUGH THE REGIONAL COOPERATIVE MARKETING AGENCY (RCMA) FOR MILK HAS BEEN A TREMENDOUSLY SUCCESSFUL VOLUNTARY EFFORT BY DAIRY FARMERS. THESE TYPES OF PRODUCER EFFORTS MUST BE SUPPORTED AND ENCOURAGED.

NEW YORK CAN HAVE A PROSPEROUS RURAL FUTURE IF THE PRODUCTIVE EFFORTS OF ITS CITIZENS ARE SUPPORTED, AND NOT HAMPERED, BY THE ACTIONS OF GOVERNMENT.

TESTIMONY OF JIM VINCENT

BEFORE HOUSE SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

LEROY, NEW YORK, SEPTEMBER 11, 1989

Mr. Chairman, Congresswoman Slaughter, my name is Jim Vincent, and I am a farmer from Byron, New York. With my other business partners, I own and operate a large processing vegetable and grain operation. Major crops grown include sweet corn and field corn, beets, peas, wheat, carrots, rutabagas and alfalfa. I also own, with my partners, a separate agricultural business that manufactures and sells crop harvesting equipment throughout the United States.

I am appearing here today not only as a farmer businessman, but also as the Chairman of Farm Credit of Western New York, ACA. Our association is one of the largest in the Springfield Farm Credit District with in excess of three hundred million dollars of loans to over six thousand member borrowers. Loans are made to borrowers in a 16 county area that stretches from the Canadian border to Pennsylvania, and from Lake Erie, west and east almost to Syracuse.

Mr. Chairman, our Farm Credit association is very aware of the changes that continue to take place in rural New York. Every year there are fewer farms, and we must continually analyze our operations to insure that owner members are receiving a competitively priced product and good service.

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Just some 21 months ago, the association membership voted to merge the four Farm Credit associations in the region, forming the present Farm Credit Association of Western New York.

For further efficiencies, after the passage of the 1987 Farm Credit Act, our association membership voted to combine the operations of the Production Credit Association and the Federal Land Bank Association, with the resulting association being the direct lender. As a result of all these changes, our Farm Credit association has one of the lowest operating costs per dollar of loan volume of any association in the District, and I believe our members are getting the same reliable service as in the past. Besides credit, association member-borrowers have available to them Agrifax record keeping, tax preparation assistance, fee appraisal, consulting services and credit life insurance. Our goal has been and continues to be a "one stop" source of credit and related services for the borrower owner-members.

Longer-term, these changes may not be enough. The farm sector continues to change, decreasing over time due to urban expansion and other trends. As these changes take place, our Farm Credit Association too must change or it will likely end up being a higher cost provider of credit. The newly authorized "Farmer Mac" has the potential of further eroding what had become

the traditional Farm Credit customer base, mortgage lending. Collectively, these forces, a changing market and potential new suppliers of agricultural credit, cause us to seek new lending authorities for our association. We know that as agriculture and rural America change, our business too must change in order to remain competitive.

I mentioned at the beginning of my testimony that besides producing crops, I am also engaged in a business which manufactures harvesting equipment. This business was started to keep our farm employees in the off season. About 80 percent of the processed sweet corn harvested in the United States is harvested by the equipment which my business manufactures. I am not saying this to boast, but only to illustrate that it is an agriculturally related business. Nevertheless, it is not eligible for a Farm Credit loan under the current law. As a result, I am forced to deal with two different lenders. This type of restriction does not make sense today, and if I were able to do all of my financing with my Farm Credit Association I would benefit from their interest rate, and the association would benefit from having a larger volume spread over an existing cost structure. This is only one of the changes that I would suggest. There are more which are needed to allow our association to better serve agriculture and thus rural America in the future and I have attached those to this testimony.

In conclusion, Mr. Chairman, I know that rural New York is not the same as rural Louisiana, or rural Oklahoma for that matter. I do know, however, that what is good for agriculture is generally good for rural America. Production agriculture will continue to downsize and change. Rural

America's strength is its people, their work ethic, innovative ideas and entrepreneurial spirit. These characteristics have created an unparalleled productive capacity. Farm Credit can provide incentive and expertise to start and enhance rural America's related endeavors.

Our locally owned Farm Credit Association is charged by federal law to serve all credit worthy farmers in its territory--the delivery structure is already in place, a new delivery structure does not have to be created to serve rural America. In New York, Farm Credit associations are the major providers of agricultural credit. Commercial banks by and large are not willing to take the risks or to understand the multi-year cycles of agriculture. However, for Farm Credit to be cost competitive in the future, it must have the authority to broaden its customer lending base to serve agriculturally related businesses and not just farmers. However, any new Farm Credit authorities should be directed to credit worthy activities, be related to existing expertise and benefit the System owners.

For several years I have been a borrower member of the Farm Credit of Western New York, ACA and I intend to be a borrower for some time to come as long as the association continues to be a competitive and reliable lender. I expect the institutions of which I am an owner to provide me, as a customer and stockholder, with a wide range of products and services. My concerns as a stockholder are that whatever services are provided meet my

business needs, are of high quality, are priced fairly, and because we are cooperatively organized, that these services will strengthen the institution which I own. Farm Credit knows the business of agriculture. It would be unfortunate if Congress doesn't confer upon Farm Credit the ability to broaden its customer base so that it can continue to be cost competitive. Mr. Chairman, the Western New York Farm Credit Association has a real stake in rural America and it stands ready to help.

Thank you.

Enclosure

Current Limitations of Present Farm Credit System Authorities to Assist Rural Development Efforts

Population limit for rural home lending inconsistent with the FmHA definition of rural areas.

The current limit that a town or village cannot exceed 2500 persons is much too narrow, and inconsistent with other Federal definitions of rural areas.

Fifteen percent limitation for rural home lending restricts rural home development.

The 15 percent limitation on institutions' portfolio lending for rural homes should be increased or eliminated. This limitation represents an unnecessary constraint on the availability of credit for rural home purchasers who want dependable lenders that can provide a constant source of financing.

The 20 percent through-put requirement on basic processing and marketing loans restricts the System's ability to finance related operations essential to current borrowers.

Under present authority, a farmer who receives System financing for processing or marketing enterprises must grow at least 20 percent of the product. This is an arbitrary standard, and not realistic in view of the rapid changes taking place in processing and marketing. Many times System institutions have been put in the position of helping a farmer to get started in business, but then having to end a positive lending relationship because of this arbitrary standard.

In several areas of the country there are examples of processing operations which may not get credit because the operations are not supported, in part, by growing/harvesting activities. In the State of Maine, for example, there are a number of wood processing and manufacturing facilities which cannot be financed because they do not meet the harvesting or growing requirement. Nonetheless, these are businesses which could benefit from the financing alternatives which competition among lenders brings, and that is of critical importance to the success of current Farm Credit System borrowers in their own operations.

Eliminate reference to "on-farm" for related businesses.

System institutions are authorized to lend to agriculture-related businesses, but only to the extent that the business is conducted "on-farm." This limits financing for many agricultural service operations. For example, a Farm Credit association is currently evaluating a forestry equipment sales/service company which has requested a line of credit. The service segment of the business is eligible under the farm-related business guidelines, but this accounts for only a small percentage of the company's total sales. For the borrower, his/her financing alternatives are limited because of the inability of the System to fully compete because of the current limitation.

TESTIMONY TO THE HOUSE OF REPRESENTATIVE AGRICULTURAL SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

September 11, 1989
LeRoy High School Auditorium
LeRoy, New York

Stuart J. Mitchell
Executive Director
Rural Opportunities, Inc.

Thank you very much for this opportunity to address this very important hearing. We appreciate the opportunity to briefly discuss our concerns regarding rural New York State's economy and quality of life. We understand that you will use this information to assist you in shaping comprehensive federal rural development legislation. We would be very pleased to continue to work with you in the months ahead as you begin to set priorities for this very complex, interdependent, and very important sector of our country. Our rural areas are of vital importance to the long-term economic and social stability of our country. Unfortunately many State and Federal initiatives developed to address the economic and social problems of our country have a very serious "urban bias". Often rural communities are unable to take advantage of these very important programs because they were designed to address urban problems and gave little or no thought to how they would actually work in rural areas. While I could give you many examples to substantiate this contention I will simply state that our experience in working in rural communities for the past 20 years has given us many examples.

Our organization, Rural Opportunities, Inc. is a private not-for-profit multi-service organization. We were established in 1969 for the purpose of providing training and job placement, supportive services, housing development, and job creation services to migrant and seasonal farmworkers and other rural poor. We have grown from an upstate New York organization to one which now provides a wide range of programs to farmworkers and rural poor in New York, Pennsylvania, New Jersey and Ohio. We have approximately a 7 million dollar a year budget, 250 employees, and we administer approximately 40 different grants and contracts for the benefit of our clientele in these four States. During our 1988-89 program year 18,062 individuals were assisted by one or another of our programs.

We are governed by a Board of Directors, 51% of whom are farmworkers or their representatives. The balance of our Board is made up of representatives from agencies and organizations, both public and private, who are interested in our work. Our organization has always maintained a very strong advocacy commitment. We have always attempted to speak on behalf of individuals who are confronted by institutional barriers which prevent them from obtaining full access to services and protections available to mainstream workers and their families. I will not take time to detail the services and programs we provide. If you are interested in the specifics I will be glad to make an Annual Report available to you.

I have worked in rural areas with farmworkers and other rural poor since 1967. I have been involved with Rural Opportunities, Inc. since 1969. I have been the Executive Director since 1977. I grew up on a small dairy farm in Yates county New York, graduated from the School of Agriculture and Life Sciences at Cornell University in 1966 and received a Masters of Divinity from Colgate Rochester Divinity School in 1970. My entire professional life has been commited to dealing with issues of concern to workers and their families who live and work in rural areas.

There are many human service systems which are inadequate, ineffective, and even detrimental to those individuals who live in rural areas. I will document the growing problems in the following areas:

1. Affordable, safe and adequate housing for those who live in rural areas. The housing stock is deteriorating, suburban sprawl is causing housing to become totally unaffordable for low and moderate income families, housing for migrant and seasonal farmworkers has changed very little since I began working 20 years ago and more and more rural people are becoming homeless each day. The federal housing policy of the Reagan and Bush administration has severely impacted rural areas of our country. If it were not for the initiatives of Governor Cuomo and the New York State Legislature rural New York State would be in even worse shape. A comprehensive affordable housing policy (with adequate resources) must be adopted at the federal level or we will soon find as many homeless people in rural areas as there are now found in urban areas.

2. Healthcare facilities are becoming stretched to the limit to provide adequate services. Rural hospitals are closing, rural communities are unable to attract physicians, those with cars are driving 50 to 100 miles to obtain services. Our infant mortality rate is increasing. Preventive healthcare services through education, information and referral do not often even target the rural poor because outreach services do not exist.

3. Rural public transportation is generally non-existent. Much could be documented regarding the cost to families of reliable personal transportation necessary to reach jobs which pay at the minimum wage level. (One of the urban biases is that it is cheaper to live in rural areas than it is in urban areas.) Jobs which pay enough to adequately support rural families are increasingly difficult to find in rural areas. The cost of living has far outstripped the income derived from service industry and agricultural employment opportunities which make up the majority of jobs in rural communities. The job creation programs available through federal and state programs are oriented to high tech industries and are simply not responsive to the needs of rural areas.

4. Rural childcare services are very difficult to develop and support. Without subsidies most rural workers are unable to afford to put their children in an organized licensed childcare facility. This of course creates major problems for families who require the income from both parents.

5. Public school education in rural areas is underfunded because of unequal and unjust distribution of federal and state resources.

6. It is also important to point out that racism and sexism is very alive in rural communities. Jobs and housing are often available to white men before they are available to black women and other minorities.

As I stated above, all of these issues and others impact on the quality of life and future of our rural communities. However, I would like to take this opportunity to highlight one particular institutional barrier which, I believe, is one of the root causes of rural poverty. It is also a barrier which has been created through public policy initiatives by the U.S. Congress and State Legislature. I speak specifically of the exclusions which have been institutionalized in labor standard regulations which govern protection of our American workforce. In many very critical labor standards the agricultural industry has successfully excluded farm laborers from coverage. This long standing tradition of separate and unequal protection for the farmworker has created a second class workforce who labor under conditions no worker in any other industry would tolerate.

A stable, trained workforce is essential if the agricultural industry is to survive. Labor costs represent 18% of production costs for all elements of agriculture as a whole in New York State. Yet today one only does work in agriculture when he or she has no other option. The working conditions are difficult at best, there are very few if any fringe benefits, the pay is low, the hours are long and there is little opportunity for upward mobility within agriculture.

The unemployment rate is generally decreasing, there are fewer younger people coming into the job market, and employment opportunities in other low wage, unskilled occupations are more attractive than farmwork.

> High school and college programs designed to train workers for jobs in agriculture are declining significantly.
>
> Farms are disappearing daily. Farms in New York State dropped from 42,207 in 1982 to 37,743 in 1987, a 10.5% drop.
>
> 60% of New York State farms were smaller than 200 acres in 1987. The average farm size in the U.S. was 462 acres.
>
> The average age of the farm operator (owner) is about 50 years.
>
> Fill time hired labor increased by 6.5% between 1978 - 1982 and is surely still increasing.
>
> The number of farm operators decreased 7% between 1978 - 1982. Yet remained 99.7% white and 94.4% male. In 1982 there were 25,541 full time farm operators in New York State.

The facts are that production agriculture in New York State is in trouble. All of the economic indicators point toward difficult time ahead for the mainstay of our agricultural economy, that of the production agricultural sector. To that end there are at least two studies currently under way which have been designed to examine the problems related to the agricultural industry in New York State.

Governor Cuomo has appointed a Governors Task Force on Agricultural Employment, Education and Labor which has been charged with the responsibility of reviewing and making recommendations regarding the needs of the agricultural industry as it relates to agricultural labor. Nearly every Commissioner of every department has been assigned to this Task Force by the Governor. A report will be presented in early December. For the first time in my experience a blue ribbon panel has been assembled to examine the needs of both the industry and the agricultural worker.

Secondly officials in the Genesee Finger Lakes region have joined together to study the agricultural industry in the Finger Lakes Region. A first draft has already been prepared.

Both of these reports will conclude that significant change is taking place in the production of our food commodities in New York and that there will need to be innovative and creative responses to those changes if we are to maintain a stable, viable and competitive agricultural industry.

I am particularly concerned about the production sector. The food processing and other agricultural related services seem to be quite profitable. However, without a product they will soon be out of business. I believe production agriculture needs to radically change their response to the economic pressures they are experiencing. The past attitude of "eat what I grow or starve" is no longer acceptable to consumers. Environmentalist are no longer willing to accept the chemical use practices of the industry. Suburban neighbors are becoming actively involved in rural issues which have direct impact on the ability of the industry to co-exist. Farmers are finding themselves in the minority regarding many issues in the changing rural communities. There must be a new and much more cooperative working relationship established between the farm and non-farm communities.

One of the most important arenas which must be changed by the production sector is that of their treatment of Farm Laborers. Approximately 107,000 people work full or part time in Agriculture in New York State. This is where public policy makers play a very critical part in the future of the agricultural industry. As obvious as it is to you and I it seems that the production agricultural leaders do not see any connection between their labor practices and their growing shortage of qualified and skilled workers. Their very efforts to exclude farmworkers from protection from all of the basic labor standard regulations has now resulted in the creation of a industry which has developed the reputation of having one of the poorest set of working conditions of any industry in our country. As soon as any intelligent and competent farmworker has an opportunity to move to another job they will go because there is nothing which will keep them "down on the farm".

If production agriculture is the backbone of the agricultural industry (which no one can dispute) and if agriculture is important to the economy of rural communities then it stands to reason that we must concentrate our efforts toward addressing those structural problems which exist within the production agricultural sector.

The difficulty I have with our public policy makers is that they seem to apply a different set of standards when they are confronted with the dichotomy between what the agricultural industry says are solutions with what the reality is in every other sector of our economy. I have attached a list of protections vital to the well being of farmworkers and I believe, the agricultural industry.

Exemptions exist for the agricultural industry in nearly every regulation which has been established by the New York State Legislature and Congress to protect workers from abuse in the work place. Exemptions exist in OSHA health, safety and pesticide regulations; in regulations governed by the Environmental Protection Agency, and regulations governed by the U.S. Department of Labor. It is my contention that these exemptions fought for by the leadership within the agricultural industry, have become the millstone which is about to pull the industry into self destruction.

I have attached a chart which has been prepared by an organization in Texas. This chart is included in a reference guide titled "Federal and State Employment Standards and U.S. Farm Labor". I have given you each a copy of the reference book and a book we distribute to farmworkers. This document has painstakingly documented State by State those labor standard regulations which govern wages and working conditions for the American Work Force. It has identified those protections which in one way or another exclude farmworkers from protection. I believe it is very important that you as public policy makers carefully review this reference book and analyze the real impact of excluding farmworkers from basic protections such as minimum wage, overtime pay, unemployment insurance, disability benefits, child labor laws and many others.

Nearly every agricultural producer I speak with agrees that significant change must be made in the management of labor in the production sector. Everyone agrees it will only be those farms which can provide a decent wage, meaningful fringe benefits, and safe working conditions that will be able to attract competent employees. In this period of shrinking labor force the competition for labor will become even greater. It is obvious, therefore, that production agriculture ought to be attempting to develop policies and procedures which will effectively compete in the labor market of the 1990's.

Instead, we see the industry leading the fight to exclude farmworkers from every piece of legislation at both the Federal and State level which would assist production agriculture compete with other industries in their communities.

The facts are that workers will vote with their feet. As soon as any opportunity arises to find a job which provides health insurance benefits, time and a half for overtime work, vacation pay and an opportunity for advancement they will take it. The industry is then left with a continual revolving door of unskilled workers who have been rejected by other industries and for whom agricultural work is their only option. Is this any way to ensure the future viability of this important industry. Do we want to leave our national food supply up to an industry that is continually struggling to survive with inefficient out dated and self destructive labor management practices?

Maybe the current system would work if there was a continual supply of unskilled labor who had no other choices but to work in sub-minimum conditions. However, it would appears to me that our national economy is going to require that every worker be well trained and productive. Where is the agricultural industry going to find its workers when they have all been educated and learn that they do not have to accept separate and unequal treatment.

I believe the most important thing your committee could do would be evaluate the exclusions which have been structured into the agricultural industry and to evaluate the effect of those exclusions on the future viability of the industry. This is particularly true for labor standards, and health and safety regulations.

It is our contention that the industry, if given the opportunity of a level playing field, will effectively compete for workers with other industries. Unfortunately I believe the leadership within the industry has been unable to see the forest for the trees. we can As public policy makers at the Federal level, you have the responsibility to see the forest and to look beyond the special interest to establish public policy which will ensure that this vital industry exist in the Northeast in the 1990's and the 20th century. Many of the problems I briefly identified at the beginning of this testimony would be greatly improved if the agricultural industry paid a decent wage and provided reasonable benefits to its workforce. Studies have shown that $2 of our Federal tax revenue are used to ensure $1 of production of our agricultural commodities. That number does not even include the indirect subsidies tax payers provide through food stamps, medicaid, public assistance, and other public benefits required to be used by many agricultural workers. It also does not count the incredible inefficiency tolerated by the industry as it attempts to use people who are unskilled and unproductive.

In this era of no new taxes and no more big ticket spending programs I believe Congress should at least require that the agricultural industry be required to support itself in the context of ensuring an adequate food supply for the U.S. and hungry people throughout the world. Yes, I do believe that food prices need to be raised, I am not sure that we actually need all of the value added packaging and advertising presently spent by our food processing and retailing industries. Production agriculture has allowed the food processor and the retailer to squeeze them into a position which is untenable for themselves and their workers. Unfortunately the leadership seems unable to figure out how to stand up to the very businesses which exist only because of their hard work and sacrifices. Production agriculture can be competitive, it can be efficient, and it can produce all the food any of us would ever need in our country and for many other countries as well. It is a natural resource which must not be allowed to die. As public policy makers you have the opportunity and the responsibility to set in motion new and innovative ways to bring Labor policies within production agriculture into the real world 20th century.

Thank you very much.

Respectfully submitted,

Stuart J. Mitchell

(Attachments follow:)

STATEMENT OF ISSUES

I. **Minimum Wage For Farmworkers:**

Arguments to link farmworker Minimum Wage to general industry Minimum Wage.

a. The cost of living for farmworkers is the same as all other workers.

b. It is discriminatory to provide a sub-minimum wage for a particular class of worker, i.e. farmworker.

c. In order to recruit workers in agriculture wages and benefits must be competitive with non-agricultural industries.

d. The image of agriculture as employment of last resort is perpetuated by sub-minimum wage rate.

II. **Overtime Pay Provisions At 1 1/2 Times Current Hourly Salary:**

Arguments to provide right to overtime pay:

a. All other employers are required to pay a premium for work performed above 40 hours of work per week. Farmworkers should be afforded the same protection and coverage as all other workers in non-agricultural jobs.

b. Farmworkers are often required to work long hours during peak farm activities. There are also times where work is slow and workers do not accumulate a full weeks work. Overtime provisions would provide a fair reimbursement for the extra hours required in order to accomplish the necessary work while at the same time providing enough income to support the farmworker during his/her slow work periods.

c. Employers would be able to more effectively recruit potential employees if overtime were rewarded under the same terms and conditions as other non-agricultural employment.

III. **New York State Disability Benefits**

Arguments to require employer paid Disability Insurance:

a. Farmworkers are no less prone to short term and long term disability than any other non-agricultural employee. Farmworkers need to be able to support themselves and their families during a disability just as any other worker would.

b. Farmworkers are not able to afford their own personal disability insurance.

c. This is another example of a employer provided benefit which would greatly assist in the recruitment of qualified and interested employees

IV. **Unemployment Insurance**

Arguments to require that Farm employers of one or more employees be required to provide Unemployment Insurance:

a. Employees who work on small farms represent approximately 75% of all farmworkers in New York State. This is a large number of workers to be excluded from this basic protection.

b. Farmworkers often experience periods of unemployment due to the seasonal nature of the agricultural industry. The industry rather than tax payers through public assistance should be responsible for assisting workers during these periods of unemployment.

c. The State Advisory Council on Employment and Unemployment Insurance has recommended that unemployment insurance coverage be extended to employees of all farm and other agricultural establishments with an annual payroll of $1,200 or more.

V. **National Labor Relations Act**

Arguments to include farmworkers in coverage :

a. Agricultural employees should have the same protection to organize for collective bargaining as any other employee in New York State.

b. Special provisions in the Labor Relations Act would require speedy resolution of labor disputes.

VI. **Agricultural Employers would be required to deduct and pay State and Federal Income Taxes from employees pay.**

Arguments to require employer deduction:

a. Farm employees should receive the same rights of payment of Federal and State taxes as all other employees, i.e. to have it withheld from their pay and paid to the State and Federal Government.

b. Farm employees find it very difficult to make payment to the IRS or the State in a lump sum at the end of each year.

c. This would eliminate another of the barriers to recruitment of interested and qualified employees to the agricultural industry.

VII. **Farmworkers who work at least 50% of their time in agriculture should be guaranteed at least an average of 35 hours of work per week in any two week period.**

Arguments to support guaranteed hours of work:

a. Agricultural employers often over-recruit farmworkers so that their planting and harvesting can be done the quickest and fastest way possible. This often results in long periods of under employment and unemployment by farmworkers. By guaranteeing hours of work, more emphasis would be placed on appropriate scheduling of planting and harvest activities.

b. Farmworkers make a commitment to do farmwork for a particular employer. As part of this commitment the farmworker should be guaranteed steady work, and some assurances of a steady income in order to adequately support himself and his or her family.

c. Obviously, because of the many peaks and valleys of activity within most agricultural sectors allowances must be made for light work time and heavy work time. By requiring that employers provide at least 70 hours of work in a 14 day period adequate recognition of the special needs of agriculture is recognized.

VIII. **Many farmworkers residing in Farm Labor housing do not have ready access to telephone service. The vast majority of camps have no 24 hour telephone service availability to residents. This is a major problem for farmworkers. Access to family, the ability to obtain immediate assistance in emergency situations, and easy communication with human service providers cannot be accomplished without availability of telephone service.**

Arguments for requiring that owners of Farm Labor housing provide 24 hour accessible service for use by farmworkers:

a. It should be the responsibility of the farm owner to provide this service in the same manner as services such as water, heat, decent housing are provided. Telephones are essential to effective communication in every arena of society.

b. Emergency situations demand immediate availability of ambulances, policy officials, poison hotline, maternity care and many others. Telephones are not a luxury, they are a necessity.

c. The only way telephone service can be made available is through the initiative of the employer. Tenants would have a very difficult time arranging for their own personal telephone.

d. There are many new telephone technologies which have been developed which would adequately service Farm Labor housing in remote areas.

UNITED STATES

Subject Category	Specific Regulatory Topic or Protection	Coverage Code	Popular Name or Short Title of Provision	Page
Child Labor	Age, Hour, and Related Standards	◐	*Fair Labor Standards Act of 1938*	5
	Compulsory School Attendance			
	Other			
Civil Rights	Fair Employment Practices	●	*Civil Rights Act of 1964*	6
	Wage Discrimination	●	*Equal Pay Act of 1963*	7
	Age Discrimination	●	*Age Discrimination in Employment Act of 1967*	8
	Other	●	*Immigration and Nationality Act*	9
Health and Safety	Workplace Safety	◐	*Occupational Safety and Health Act of 1970*	10
	General Workplace Sanitation			
	Agricultural Field Sanitation	◐	*Occupational Safety and Health Act of 1970*	11
	Other			
Housing	General Employee Housing Standards	●	*Occupational Safety and Health Act of 1970*	13
	Farm Labor Housing Standards	◐ ◐	*Wagner-Peyser Act* *Migrant and Seasonal Agricultural Worker Protection Act*	14 16
	Access and Visitation Rights			
	Other	◐	*Immigration and Nationality Act*	17
Insurance and Compensation	Unemployment Insurance	◐	*Federal Unemployment Tax Act/Social Security Act*	18
	Workers' Compensation			
	Disability Insurance	◐	*Social Security Act/Federal Insurance Contributions Act*	19
	Other			

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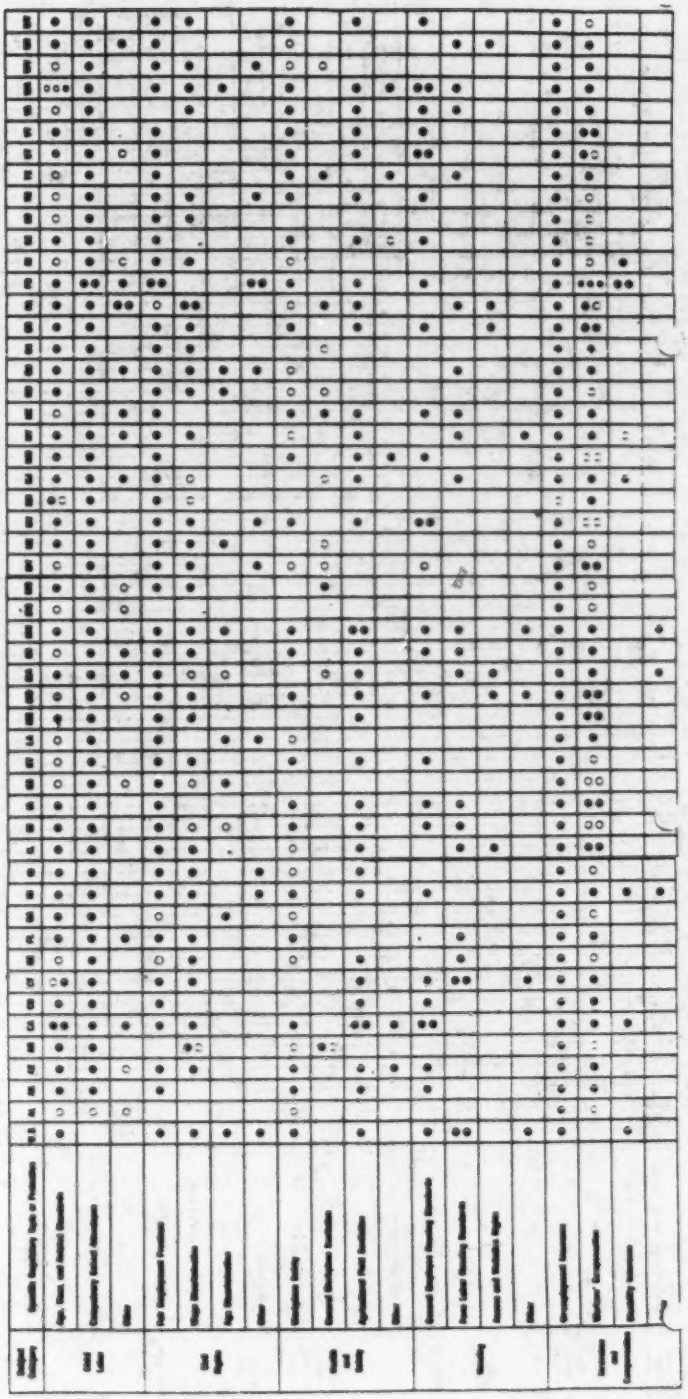
UNITED STATES

Subject Category	Specific Regulatory Topic or Protection	Coverage Code	Popular Name or Short Title of Provision	Page
Labor Contractors and Worker Recruitment	Private Employment Agency Licensing			
	Farm Labor Contractor Registration	◐	*Migrant and Seasonal Agricultural Worker Protection Act*	20
	Recruitment Standards (Only)			
	Other	◐	*Immigration and Nationality Act*	22
Labor Relations and Collective Bargaining	General Labor Relations	○	*National Labor Relations Act*	24
	Agricultural Labor Relations			
	Other			
Pesticides and Agricultural Chemicals	General Application Standards	●	*Federal Insecticide, Fungicide, and Rodenticide Act*	25
	Aerial Application Standards	●	*Federal Aviation Act of 1958*	26
	Field Worker Safety Standards	●	*Federal Insecticide, Fungicide and Rodenticide Act*	27
	Toxic Substances Disclosure	◐	*Occupational Safety and Health Act of 1970*	28
	Anhydrous Ammonia	◐	*Occupational Safety and Health Act of 1970*	30
	Other			
Transportation	General Employee Transportation Safety			
	Migrant Worker Transportation Safety	◐ ●	*Federal Transportation Laws* *Migrant and Seasonal Agricultural Worker Protection Act*	31 32
	Other	◐	*Immigration and Nationality Act*	33
Wages and Hours	Minimum Wage	◐ ◐	*Fair Labor Standards Act of 1938* *Immigration and Nationality Act*	34 36
	Hour Standards and Overtime Pay	○	*Fair Labor Standards Act of 1938*	37
	Hour Standards (Only)			
	Wage Payment and Collection	● ◐	*Migrant and Seasonal Agricultural Worker Protection Act* *Immigration and Nationality Act*	38 38
	Agricultural Liens			
	Income Tax Withholding	◐	*Internal Revenue Code of 1954*	39
	Other			

Federal and State Employment Standards
TABLE OF AGRICULTURAL COVERAGE

Federal and State Employment Standards
TABLE OF AGRICULTURAL COVERAGE



Statement by
David L. Brown, Director
Mildred E. Warner, Associate Director
Community and Rural Development Institute
Cornell University
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before the
House Agriculture Subcommittee on
Conservation, Credit and Rural Development
September 11, 1989

Thank you, Madame Chairperson, we appreciate the opportunity to address the Subcommittee concerning problems facing rural people and communities in the Northeast. We hope our comments contribute to the development of comprehensive legislation to enhance the quality of life for rural residents in the Northeast and throughout the nation.

Rural America has different problems in the 1980's and 90's than in previous decades. First and foremost, agriculture is no longer the principal employer of rural workers or the principal source of rural family income. Accordingly, agricultural policies and programs will not improve the material well-being of most rural persons and families. Second, if growth, symbolized by rural population and employment increases, was the dominant rural theme of the 1970's, economic stress has been the overriding rural issue of the 1980's. This stress is primarily associated with a restructuring of the rural economy, and with increased urban-rural and global integration. Because rural areas have become more closely tied to national and international forces, changes in macroeconomic policies, increased international competition, and other global forces now have major significance for rural economies and communities.

Structural economic change manifests itself in diverse ways--as farm financial stress, as the decline of particular manufacturing industries such as textiles and apparel, and as the changing composition of rural poverty. Moreover, the defining characteristics of rural areas--small population

size, small industrially specialized economies, and dispersed low-density settlement exacerbate rural areas' ability to adapt to new and constantly changing social and economic conditions. And, because rural America is so diverse, comprehensive policies that benefit the majority of rural areas and population groups are difficult to craft.

These major dimensions of change and their associated social, economic and demographic dislocations characterize all of the nation's rural regions, including the Northeast. We would like to focus on four general issue areas that we believe are particularly important in the rural Northeast—protecting the rural environment in an urbanized region, matching people and jobs in a rapidly changing economy, enhancing services which contribute to the well-being of families and individuals, and maintaining community vitality. We would like to develop each of these topics separately before discussing a general perspective on rural development policy for the nation and the region.

MOST SALIENT ISSUES IN THE RURAL NORTHEAST

Protecting the Rural Environment in an Urbanized Region:

The rural economy in the Northeast is characterized by a diverse mix of activities. While manufacturing and service industries account for the majority of rural jobs, natural resource-based industries such as agriculture, forestry and tourism are also strong contributors. The Northeast is blessed with vast stretches of productive farmland, as well as with millions of acres of commercially viable forests. Despite its close proximity to major population centers, the region has retained significant wilderness and wildlife areas. These resources support an important tourist and recreation industry.

The natural landscape's attractiveness and accessibility may well be its undoing. Development of housing and tourism in rural areas is bringing these activities into conflict with other natural resource-based industries such as agriculture and logging. Housing development contributes to raising land values beyond the level supported by agriculture; rural homeowners complain of noise, smell and dust from agricultural and logging activities; and concerns over quantity and quality of water supplies are increasing. In addition, the close proximity of rural areas to large northeastern cities makes them an important source of clean water, a potential outlet for disposal of solid waste, as well as an important recreational resource.

Conflicts between this diverse set of activities need to be resolved. Rural communities would benefit from assistance in designing growth management plans which fairly assess the competing interests involved. Strong Federal leadership is needed to provide guidance on such critical issues as water quality and waste management. Increased access to technical and financial assistance for local planning is needed to address these complex issues.

Matching People and Jobs in a Rapidly Changing Economy:

Job quality is a principal economic problem in the rural Northeast. High population density in rural areas, and access to urban employment centers mean that job availability is greater in much of the rural Northeast than elsewhere. The quality of these jobs needs to be enhanced to attract and retain a stable employment base in the region. The current discussion of labor shortages in the Southern Tier region of New York, for example, indicates that low-wage, low-skill jobs are difficult to fill. Costs of living, even in rural New York, do not allow workers to support themselves

on minimum or near-minimum wages. Furthermore, these wage levels do not justify the individual investment in training which is needed if the rural workforce is to remain competitive in the future. For rural areas to remain viable in the Northeast and throughout the nation, rural residents must have access to quality jobs which afford a decent standard of living. Otherwise the rural areas will have difficulty producing and retaining the workers needed for economic growth.

Access to jobs can be enhanced in several ways. First, day care for children and for the elderly is a critical constraint for many rural residents who would otherwise be willing and able to work. Second, given the important role of commuting for rural workers, transportation services must be enhanced, including support for rural public transportation. Third, increased support must be given to education and training. The current mismatch between skill levels of workers and skill requirements of jobs can only be expected to widen as technological change continues to outstrip the region's education and training response.

In New York's Southern Tier, Cornell's Industrial Innovation Extension Service is finding that employers' biggest concern in applying new technology is finding workers with appropriate skills. While calling for greater coordination between education and industry, they recognize that it is not possible to accurately predict the job skill needs of the future. Thus, education and job training and retraining programs must ensure that all workers receive basic literacy and numeracy skills as well as specific skill training which responds to technological change. Increased emphasis must also be given to higher education. Only a comprehensive approach such as this will result in a flexibly trained labor force able to adjust to a

constantly changing economic and technological environment.

Enhancing Services which Contribute to the Well-being of Families and Individuals:

If rural communities are to remain viable places to live, increased attention must be given to ensuring adequate provision of human services. Recent rural hospital closures across the nation dramatize the difficulty rural areas have in maintaining essential services. While regional centers and inter-local cooperation are valid options to overcome the limitations of small size in some places, lack of effective transportation and the need to maintain community identity are very real concerns as well.

Special consideration must be given to dependent segments of the rural population: the elderly, mothers with small children, youth, and persons with disabilities. For some in these groups (such as the elderly, who make up an increasing proportion of the rural population), services delivered at non-local centers may not be practical. And because rural poverty rates nearly match those in inner cities, economic access to basic services must also be ensured if we are to provide a decent standard of living for all rural residents - especially for children, whose poverty rate in rural America approaches 25%. Better coordination of existing services, eligibility criteria which encourage program participation by acknowledging the special characteristics of the rural poor (e.g., intact families, high labor force attachment), increased Federal support for human service programs, and a Federal contribution to raise minimum benefit levels in the poorest states is needed to support human resource development, and ensure rural America's future as a place to work and live.

Affordable housing is a particular concern in the rural Northeast.

Wages have not kept pace with increasing housing costs and the result is increased pressure on housing resources. Pressure is felt most keenly on the lower cost end of the housing market, where the poor, the near-poor and the middle class all vie for space. The result, not surprisingly, is that the poor get bid out of the market. Rural homelessness, as evidenced by overcrowding and transitory living arrangements among the poorest households, is increasing. Suburbanization has raised rural land values, and new zoning efforts (in part to protect the environment) have limited development of accessible and affordable housing, including multiple family units and modular or mobile homes. A declining Federal commitment to subsidize housing for the poor has further constrained the supply.

The lack of affordable housing and essential services contributes to a vicious circle. Without services and decent housing, communities cannot retain workers (or jobs). Without a strong economy, tax revenues to support community facilities and services are constrained. The Federal government should rediscover its responsibility to support housing and basic human services through flexible policies and increased financial resources to states and localities.

Maintaining Community Vitality:

Physical and social infrastructure are both critical to maintaining community vitality. Rural communities in the Northeast are facing the costs of repairing and replacing aging water systems, roads and bridges and landfills. Solutions are costly and complex, and the Federal share of support for such projects has declined. More Federal resources are needed, but money alone will not solve the problems. Greater attention needs to be given to policies which provide technical assistance at the local level.

Federal policies and mandates must be flexible enough to encourage innovation at the state and local level. And, if the diversity of rural areas is to be accommodated, the limits imposed by small size, low density and distance must be acknowledged in Federal regulations and program designs.

Although the physical infrastructure is more visible, the social infrastructure of rural communities is an equally critical key to rural viability. In New York State there are 1500 local governments, many of them run by part-time officials and volunteers. These local leaders are called upon to address an increasingly complex set of issues, from waste management to economic development. In the face of rapid and fundamental changes occurring across the rural landscape, many local leaders have found themselves at a loss on how to deal with the myriad problems facing them. Technical assistance is spotty, if available at all, and specific rural needs are all too often overlooked in policy debates, and in program design and implementation. To achieve more effective rural participation in government programs we must develop more flexible policies, encourage inter-local and regional cooperation, increase the use of technical assistance circuit riders, support leadership education, and require Federal agencies to be more aggressive in serving rural communities.

POLICY DIRECTIONS

We have identified four major challenges confronting rural communities in the Northeast: (a) protecting the rural environment in an urbanized region, (b) matching people and jobs in a rapidly changing economy, (c) enhancing services which contribute to the well-being of families and individuals and (d) maintaining community vitality. These challenges are

not categorically different from those faced by rural communities in other regions. Some are more salient in one region than another, but the differences are of degree and not kind. All of these challenges are made more difficult by the continuous nature of social and economic change, by increased urban-rural and global integration, by the diversity of rural regions, and by the constraints imposed by small size, low density, distance and specialized local economies. In response to these challenges, we believe that rural policy should include the following elements.

Environmental Concerns are Intrinsic to Rural Policy:

The environmental implications of land use, growth and development, waste management and water quality are of increasing concern to rural communities. The natural resource implications of rural development should be recognized up front, as an intrinsic part of growth and development planning. Moreover, competition and conflict occur daily among natural resource users in rural communities, especially at the urban fringe as in much of the Northeast. Local governments need technical and organizational assistance to effectively mediate between these interests to nurture human activities while protecting the natural environment. The Federal government should provide leadership in solving environmental management problems through clear mandates and technical and financial assistance which permit a flexible State and local response.

Adaptable Workforce is a Key to Economic Viability:

The rural economy is changing constantly in response to technological innovations, global realignments, changes in Federal macroeconomic policy and corporate investment strategies. Few workers can expect the skills they bring into their first full-time job to serve them throughout their careers.

They must be able to adapt to new occupational requirements imposed by changing technology and workplace organization. Basic educational skills—literacy and numeracy—are keys to adaptability. Day care and transportation are keys to job access. Local economies with appropriately skilled and supported workforces will have a competitive advantage in retaining present employers and attracting new ones. While small business assistance, credit and modern telecommunications are important, we feel that investment in human resources is a key to long-term economic vitality for rural communities. An expanded Federal role in rural development must include attention to human resources.

Human Services Build the Foundation for Viable Communities

Rural development is more than jobs and income. The quality of life is also affected by access to essential services. Adequate health care, affordable housing and basic human services form the foundation of viable rural communities. Particular attention should be paid to the less fortunate, and to those not able to do for themselves. The Federal government should increase its support of human service programs for rural citizens. This requires better coordination of existing programs, eligibility criteria that do not discriminate against rural people, and a Federal contribution to ensure uniform benefit levels.

Increased Access to Information and Technical Assistance:

The dramatic social and economic changes affecting rural America in the 1980's mean that the rules of the game have changed fundamentally. We do not fully understand the causes and consequences of these changes, and reliance on old solutions may not effectively prepare us for the future. Since change, not stability, is the normal state of affairs for rural

America, new research is needed to help policy makers and local officials anticipate and plan for the future. Moreover, the data base undergirding rural development research is inadequate and needs to be expanded in scope, timeliness, coverage and geographic detail. More informed policies and more effective public programs require a stronger Federal commitment to data collection and rural development research.

Local leaders can benefit from increased access to research-based information and technical assistance. The applied research and extension programs conducted by Land-Grant Universities, in collaboration with State and Federal agencies, can focus on local governments' needs to enhance their ability to make informed decisions, anticipate the future, and adapt to change. Increased Federal support of research and technical assistance will encourage universities to redirect more of their resources to rural development.

Flexible Policies:

"One size fits all" type policies are inconsistent with the diverse social, economic and environmental nature of rural America. Some rural communities are located in highly urbanized environments, while others exist in sparsely populated regions; some depend heavily on agriculture and natural resource-based industries for their livelihoods, while others depend more on manufacturing or on services; some rural areas have an abundance of physical infrastructure, while others lack even the most basic facilities; some areas must contend with rapid growth, others are trying to maintain essential services in the face of chronic decline. This diverse rural landscape requires flexible policies which encourage local initiatives and innovation, and creative coordination of programs across and among levels of

government. Legal and administrative (and cultural) barriers to interlocal and regional cooperation should be reduced—"go it alone" strategies can severely limit access to essential services, infrastructure and economic opportunities. This diversity requires that all Federal programs be administered in a flexible manner appropriate to local needs and conditions.

Conclusion

We appreciate the increased attention the Federal government is giving to rural development. In times of budget crisis, such as these, we understand that major increases in funding for rural areas are not realistic. For this reason we have not recommended new programs. Instead we have emphasized the need to strengthen and redesign existing programs to better meet rural development needs of the 1990's. This can be accomplished through more effective program administration which reflects a sensitivity to the special needs of rural areas.

However, in the critical areas of housing and human services, education and job training, research and technical assistance, and community facilities, additional Federal funds are clearly needed. Congressional leadership in building a policy environment more sensitive to rural needs will contribute greatly to better allocation of new monies and more effective use of existing resources by rural communities.

STATEMENT BY KENNETH L. ROBINSON, PROFESSOR EMERITUS OF AGRICULTURAL ECONOMICS, CORNELL UNIVERSITY BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT, SEPTEMBER 11, 1989

I am pleased that the problems of rural areas are being addressed by the Agriculture Committee and that you have provided an opportunity for those of us living in the Northeast to express our views. I want to emphasize at the outset that I am not representing any group or institution, but rather am expressing my own personal views.

In designing rural development policies, one must recognize that growth is occurring very unevenly in rural areas of New York. Some counties are experiencing the results of urban expansion or the demands for second homes. Land values in these areas are rising, as are local taxes required to pay for services suburban residents demand. This has resulted in conflicts between long-term residents, including farmers, and newcomers. The problems of these growth areas are quite different from those in areas remote from urban areas of expansion. In many counties, population is continuing to decline. Because of unfavorable location with respect to raw materials, markets or community services, such counties have little prospect of attracting the high-wage, technologically advanced firms that every community would like to have in its area.

The "growth counties" need help in expanding housing and in planning (to minimize conflicts regarding water, waste disposal, the use of fertilizer and pesticides by farmers, etc.). The "non-growth counties" can best be helped by providing improved

educational opportunities for children, health services, job training programs designed to provide the skills in demand elsewhere and information on job opportunities. Migration from such areas has been a fact of life for several generations and is likely to continue for at least another generation. It would be unrealistic to expect these trends to be reversed.

In my view, priority in rural development programs should be given to strengthening education, job training, employment information, housing, rural transportation and day care programs. I am uncertain as to how this should be done, that is simply by augmenting existing programs, or by authorizing new programs targeted to rural areas. My major concern is that the total amount of resources committed to these kinds of activities be increased. I would be reluctant to add new program especially if this meant a reduction in the amount of resources committed to existing programs.

I recognize that credit is a popular option, but I have reservations about the efficacy of soft loans or subsidized government credit as a solution to the problem of rural poverty. The experience with soft loan programs for agriculture, and for individuals under previous anti-poverty programs, is not reassuring. Those financed by such loan programs often find themselves encumbered by debt and are eventually forced to liquidate, resulting in the loss of their own capital as well as imposing losses on the lending agency. The emphasis on credit as an instrument for rural development in the Senate bill seems to me a questionable priority. Investment in people is likely to

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have a much higher payoff than investments in what are likely to be marginal economic enterprises.

I also believe it important, as Brown and Warner have emphasized in their statement, that there is need for better coordination and implementation of existing program. Administrative procedures should be designed to insure that such programs do not discriminate against rural people or rural areas that may lack the technical competence to submit grant proposals. Lack of information and in some cases administrative barriers or an unresponsive bureaucracy may prevent the rural poor from participating in Federal programs. Research by some of my former students revealed that the working poor and elderly in rural areas often failed to benefit from the Food Stamp Program, for example, because they were not aware of being eligible to participate in the program or found it impossible to get to the welfare office because of the lack of transportation or because the office was not open during non-working hours. In short, the special problems of providing services in rural areas need to be addressed by administrators if not by specific mandates in legislation.

Submitted by
Gloria J. Stonecipher
September 11, 1989

Good morning.

I am here this morning to tell you unequivocally that the most exciting project in the public sector in the state of New York is a project called Genesee 2000. I know of no other county or municipality in New York State taking on this kind of planning project.

Genesee 2000 is taking a page out of corporate America and using strategic planning techniques developed in the private sector and applying those techniques to the public sector.

The difference between strategic planning and other types of planning is that it is action-oriented and therefore, results driven.

We've been involved in this project now for more than a year. The process began with a study of the area, called the Environmental Scan.

The Environmental Scan compares Genesee County with five other Western New York counties, New York State, and the United States in hundreds of different criteria. We studied population trends, housing, education, income levels, infrastructure, government and all facets of the local economy.

Without boring you with a lot of statistics, I'd like to share with you, some of the significant findings of that study.

In population, we found that Genesee County follows the national trend of smaller households. In other words, fewer people per household. It follows the national trend called the "greying of America."

For example, the county's population from 1970 to 2010, that 40 year span, is expected to grow about 11 percent overall. But during that same 40 years, the 65 and older group is expected to grow 71 percent. And children, ten years of age and younger will decline by 30 percent during the same period.

We found that housing in Genesee County is old. And that new housing construction is the lowest of all areas we studied. For example, in the United States, about one out of four houses is more that 50 years old. In Genesee County, it's twice that amount, one out of two houses that is more than 50 years old.

We studied unemployment during the 14 years from 1974 to 1987, and found that of all the areas we studied, Genesee County had the highest or second highest unemployment for 10 of those 14 years.

We found that retail sales make a significant contribution to the local economy. In 1982, retail sales contributed $266 million to the local economy. We then compared that $266 million to the agricultural contribution in 1982 of $294 million.

In the agricultural sector, we found that Genesee County follows the national trend of fewer, larger farms. We found that a very small number of farms creates the vast majority of farm sales.

We looked at business establishments in Genesee County and categorized them by numbers of employees. We found that 86 percent of the business firms in Genesee County employ less than 20 people. We found that small-business backbone to be consistent with all areas we studied.

We also studied tourism, the second largest industry in New York State and found that in 1987, 1.7 million tourists visited Genesee County; 1.4 million tourists visited the Darien Lake Theme Park, the number one amusement attraction in New York State.

We analyzed the infrastructure needs of the county and found that Genesee County has some serious problems.

We found that 80 percent of the population of this county, 4 out of 5 people, depends on groundwater -- wells for their water supply. The threat of contamination of that groundwater has to be given serious consideration, particularly at a time when a landfill is being proposed near Genesee County.

We examined solid waste and found that issue to be the county's most critical environmental concern. We found that all local solid waste is disposed of outside of Genesee County. There is no longer an active landfill within the boundaries of Genesee County.

We found that while solid waste is of tremendous concern and the need for recycling is growing, the local recycling center has received a decreasing amount of recyclable material for several years.

In addition to infrastructure, we examined government, and found that in a county of 60,000 people, there are 65 local government entities and more than 4300 government employees.

The steering committee studied the data from the Environmental Scan and decided on three key issues the county must confront between now and the turn of the century.

Those three issues are housing, economic development and infrastructure.

The steering committee of 25 people than wrote mission statements for each of these issues -- goals for the task forces.

Task forces of 20 to 30 people were formed for each of these issues. These task forces have studied these issues now for five months. In October, they will make their recommendations back to the steering committee. The steering committee's responsibility then, is to implement those recommendations.

But the key to the success of Genesee 2000 will be participation from all levels - government, business and residents. With that participation, Genesee 2000 will enable the residents of Genesee County to determine their own future.

2000 GENESEE
Moving To Meet The Future

Co-Chairpersons
Gloria Stonecipher
Neil T. Burns

Genesee County Legislature Liaison
Dr. Roger W. Triftshauser

P.O. Box 852 • Batavia, New York 14021-0852
716-343-4866

REPORT OF THE GENESEE 2000 ECONOMIC DEVELOPMENT TASK FORCE RELATIVE TO AGRICULTURE

The following discussion is based on the findings of the Genesee 2000 Economic Development Task Force which was charged in the spring of 1989 with determining the needs of the agricultural community and recommending strategies for improvement of those needs.

The Task Force initiated its work with discussions among its 33 member, community-based group about perceptions of weaknesses and strengths. The detailed results of this discussion are attached in Addendum #1.

For purposes of this presentation, the major issues will be highlighted.

1. The Task Force identified the need to educate the public as to the significance and importance of agriculture. This includes the need to inform about the history, the changes and the present status of agriculture in Genesee County.

2. Additionally, it was determined, and subsequently confirmed by farm representatives, vegetable growers, fluid milk handlers, and members of the Genesee County Cornell Cooperative Extension Service, that neither the needs of the ag community, nor the opportunities available were understood by the public at large and by young people in particular.

   One look at the Help Wanted ads in the local newspaper attests to the number of entry level openings available in Genesee County on a daily basis. Although the number of job openings is expected to decline by 20.1% by 1990 in the Finger Lakes Region (Source New York State Department of Labor, Occupational Needs, 1980-1990, Finger Lakes Region), farmers are having difficulty recruiting not only for entry level but also for middle and upper management positions.

   While following the national trend with fewer yet larger farms, the 741 farms and 169 farm-related businesses produce $294 million in revenues. Many people do not understand that the farm industry alone provides 3316 full-time and 1438 part-time jobs in Genesee County.

   Thus, the need to educate the public about the opportunities available and the economic impact of agri-business become critical for the survival of these farms and other ag related businesses.

   Recommended strategies are discussed below as part of the overall recommendations of the Task Force relative to economic development of Genesee County.

3. Agricultural representatives identified the need to have a strong, unified voice representing their interests as lacking in Genesee County. Discussions confirmed that, Although the Cornell Cooperative Extension Service is in Genesee County this agency's primary role is that of research and resource to farmers. Secondly, the Farm Bureau, also located in the county, represents interest of farmers on a national level.

   Even representatives of the vegetable growers stated that there should be an umbrella voice to speak on behalf of the agri-business.

4. The lack of an ag curriculum at Genesee Community College was cited as another major weakness. It was felt that, although the college is a resource to provide upgrade training for present employees and has, on occasion provided milk parlor training on request from area farms and/or agencies, agri-business would be better served if major components or an entire curriculum could be provided at the local level. This would reduce the need of residents to travel to the nearest ag. and tech. school (Alfred Ag. and Tech.) or to Cornell.

Recommended Strategies:

Issues 1 and 2

The Task Force decided to recommend that the public be educated about the importance, the need and the opportunities available by implementing the following strategies to address issues 1 and 2.

a. Push for ag curriculum component for elementary/high school (i.e. "Ag in the Classroom", available from Cooperative Extension).

b. Career awareness campaign beginning at middle and high school level.

c. Assemblies at school about what Genesee County was and is (its history, heritage, the economy in total).

d. Career Fairs which must include components on agriculture, along with other options.

e. An agricultural awareness campaign geared to the general public via brochures, newspaper series, public forums, etc.

Issue 3

It is recommended that the Genesee County Chamber of Commerce establish an Agricultural Business Division with dues, and all rights and privileges accorded other Chamber members. With dues received from members and additional county support, the Chamber would then be in a position to lobby and advocate on behalf of the agricultural industry.

Issue 4

The strategy recommended to address the lack of an ag curriculum in the county will be that Genesee Community College, along with the local BOCES, will explore ways to articulate with Alfred Ag. and Tech., perhaps for an extension site in the county.

Issue 5

In order to stop the indiscriminate use of prime agricultural land for commercial or residential development, it is recommended that the county establish a county wide zoning plan which will protect prime land for agriculture while providing sufficient opportunity for other economic development.

One area of the request to the Subcommittee would be funding to further update zoning and planning of a county so as to see that there is no more loss of these prime productive farm lands. An approach might be encouraging the establishment of certain activities in certain zones with the needed infrastructure so as to satisfy the requirements of the use and prohibit expansions beyond these pre-planned zones.

Submitted by: Edna V. Baehre

Dr. Edna V. Baehre
Dean, Chairperson, Economic Development Task Force

(Attachment follows:)

ADDENDUM I.

Phase 1 - Meeting of April 6, 1989

Group C - Agriculture

Major strengths and weaknesses in Bold face.

Weaknesses

1. Trend of entrepreneurs leaving area for greener pastures.
2. **General need to educate population as to the significance of agriculture.**
3. Lack of food processors in relation to number of crops produced in county.
4. **No strong voice representing agricultural interests, especially on local level.**
5. **Pesticides perceived as a "negative" by citizens.**
6. **Pollution caused by farms.**
7. Farm population tends to be isolated from each other, partly due to work load.
8. **Regional and national policies have hurt milk co-op.**
9. Lack of labor force for farm work.
10. Lack of awareness by potential workers as to jobs available and pay level.
11. **Uncertainty as to the effect of Canadian Free Trade.**
12. **No current ag curriculum at local college.**
13. Farming becoming less profitable for many small operations.

Strengths

1. Good natural resources in our county.
2. Some of the top vegetable producers on a state-wide and national level are located in Genesee County.
3. Abundance of reasonably priced land which is of good quality.

4. Genesee County's location is accessible to major markets representing a potential competitive advantage.

5. Wages tend to be good on profitable farms.

6. Specialists are available to work with farmers.

7. Consolidation to larger farms.

8. Location of county is advantage in attracting processors and ag equipment manufacturers.

9. We maintain a high level of sophistication in mechanized farming.

10. "Multiplier effect" from ag to other industries is very beneficial to county.

Other Topics and Questions

1. Could the GCIDA and/or the Chamber become more involved in the ag cause?

2. Map of land usage should be obtained from the county.

3. What "umbrella group" could be formed to initiate a total ag voice? (growers first?)

4. Is there any Federal or state funding available to hire a " spokesperson " or ag organizer?

TESTIMONY TO THE HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT
LEROY HIGH SCHOOL AUDITORIUM - LEROY, NY
SEPTEMBER 11, 1989

Testimony by Neil T. Burns, Executive Director of the Genesee County Industrial Development Agency

AT NO TIME IN RECENT MEMORY HAS THE WESTERN NEW YORK COMMUNITY HAD THE OPPORTUNITIES FOR SOUND ECONOMIC PROGRESS INTO THE YEAR 2000 THAN IS NOW AT HAND.

IN MY TESTIMONY TO THIS COMMITTEE, I WILL USE GENESEE COUNTY AS A MICROCOSM OF WHAT MUST BE ADDRESSED NOT ONLY IN GENESEE COUNTY. BUT AS IT IMPACTS ALL OF THE WESTERN NEW YORK RURAL COUNTIES.

THE DAYS OF SEVERE ECONOMIC DISLOCATION IN THE NORTHEAST HAVE DIMINISHED AND NEVER WAS THERE A BETTER TIME THAN THE PRESENT TO FURTHER ENHANCE THE SOUND AND STABLE ECONOMIC DEVELOPMENT OF OUR AREA TO THE BENEFIT OF ALL CITIZENS. ALL TOO OFTEN DECISIONS ARE MADE IN A CRISIS ENVIRONMENT, BUT WE HERE NOW HAVE THE SOMEWHAT LIMITED LUXURY OF ENJOYING SOLID ECONOMIC TIMES WITH FEW POCKETS OF DEPRESSED AREAS OF CONCERN. WE MUST ADDRESS THOSE OPPORTUNITIES WHICH WILL ENHANCE THE LONG-TERM STABILITY IN OUR COUNTY WHICH WILL PRECLUDE SERIOUS ECONOMIC SETBACKS IN THE FUTURE.

THE PRIMARY OBJECTIVE OF ALL PARTIES IN OUR WESTERN NEW YORK COMMUNITY IS TO PREPARE FOR THE FUTURE TODAY SO AS TO ASSURE

ALL OF US OF A STRONG ECONOMY, A HEALTHY ENVIRONMENT AND SUPERB QUALITY OF LIFE. THE FEDERAL GOVERNMENT HAS ADDRESSED AREAS OF CONCERN AFFECTING DIFFERENT SEGMENTS OF OUR SOCIETY RELATIVE TO SUBSTANDARD HOUSING, HIGH UNEMPLOYMENT, AND DIMINISHING MARKETS BECAUSE OF IMPORTS BY FOREIGN COUNTRIES. MANY OF THESE CONCERNS CONTINUE AND WILL MOST LIKELY CONTINUE FOR THE FORESEEABLE FUTURE. BUT, THESE CONDITIONS WHICH CAUSE US CONCERN CAN NOT NECESSARILY BE ALLEVIATED THROUGH FEDERAL PROGRAMS ONLY. AN IMPORTANT ROLE OF OUR FEDERAL GOVERNMENT IS TO DEVELOP A STRATEGY OFFERING LOCAL INCENTIVES TO ADDRESS THESE PROBLEMS.

THE CONCERN ABOUT PURE WATER AND SANITARY SEWAGE CONDITIONS IS AND WILL CONTINUE TO BE OF PRIMARY CONCERN TO ALL OF OUR PEOPLE. IN ORDER TO BE ASSURED OF SAFE DRINKING WATER, THE FEDERAL GOVERNMENT MUST CONTINUE ITS INVOLVEMENT TO A GREATER DEGREE THAN THEY HAVE PREVIOUSLY. I KNOW THAT BILLIONS OF DOLLARS HAVE BEEN SPENT BY CITIES, COUNTIES AND TOWNS IN COLLABORATION WITH FEDERAL AND STATE GOVERNMENTS TO CLEAN UP THEIR WATER, AND THIS MUST BE A CONTINUING PRIORITY. THEIR ASSISTANCE IN HELPING A COMMUNITY TO ADDRESS THIS PROBLEM MUST CONTINUE AS A NUMBER ONE PRIORITY INTO THE YEAR 2000. INFRASTRUCTURE IS NECESSARY FOR FUTURE ECONOMIC DEVELOPMENT IN OUR COUNTY. BUT WITH THIS INFRASTRUCTURE MUST ALSO BE THE INSISTENCE BY THE FEDERAL GOVERNMENT FOR SOUND PLANNING TO PROTECT THE AGRICULTURAL INTERESTS, THE BUSINESS INTERESTS, AND THE INTERESTS OF THE INDIVIDUAL.

THE NUMBER ONE BUSINESS IN GENESEE COUNTY IS AGRICULTURE AND EVERY EFFORT MUST BE TAKEN TO SEE THAT THE DISAPPEARANCE OF THIS FERTILE PRODUCTIVE FARM LAND DOES NOT CONTINUE. PROGRAMS THROUGH THE DEPARTMENT OF AGRICULTURE MUST ENCOURAGE A MARKET FOR FARM PRODUCTS THROUGHOUT OUR COUNTRY WITH LAND UTILIZATION FOR THE PURPOSE OF CREATING THE HIGHEST VALUE ADDED RETURN FOR THE FARMER. LAND, LIKE PEOPLE, WEARS OUT, AND IN MANY CASES THROUGHOUT OUR COUNTRY, FERTILE VALLEYS ARE BECOMING LESS PRODUCTIVE BECAUSE OF THE LOSS OF ENERGY IN THE SOIL. IN VIEW OF THIS, GOOD PRODUCING LAND SHOULD NOT BE USED FOR ANY OTHER PURPOSE OTHER THAN GROWING THE FOOD NEEDS FOR OUR POPULACE. IN ORDER TO PROTECT THIS IMPORTANT SEGMENT OF OUR SOCIETY, SOUND PLANNING MUST BE ENCOURAGED THROUGH INCENTIVES FROM THE FEDERAL GOVERNMENT TO ASSURE THAT FARM LANDS WILL CONTINUE TO BE FARM LANDS AND NOT BE USED FOR OTHER DEVELOPMENT.

PLANNED DEVELOPMENT FOR RESIDENTIAL USE, INDUSTRIAL/ COMMERCIAL DEVELOPMENT, AND RECREATION MUST ALL BE ZEALOUSLY POLICED TO ASSURE THAT NO NEGATIVE IMPACT OCCURS ONE UPON ANOTHER.

I WOULD ALSO ASK THE FEDERAL GOVERNMENT, THROUGH INCENTIVES, TO ENCOURAGE THE PROPER PLANNING FOR THE BENEFIT OF ALL SEGMENTS OF OUR COUNTY COMMUNITY. IN ORDER FOR THE CITIZENS OF OUR COMMUNITY TO REAP THE REWARDS THAT GENERATIONS BEFORE US HAVE ENJOYED, WE MUST ADDRESS THE NEED FOR OPPORTUNITIES

FOR ALL OF OUR CITIZENS TO PARTICIPATE FULLY IN OUR SOCIETY AND THE REWARDS OF OUR DEMOCRATIC SYSTEM.

IT IS FORECAST THAT IN GENESEE COUNTY, AGAIN AS A MICROCOSM OF ALL COUNTIES IN OUR WESTERN NEW YORK COMMUNITY, IS AGING RAPIDLY, WITH FORECASTS THAT BY THE YEAR 2000 THE POPULATION PERCENTAGE OF THOSE PEOPLE 65 YEARS AND OLDER WILL INCREASE BY 70% AND IN THIS SAME TIME FRAME, THOSE PERSONS 18 AND YOUNGER WILL SEE THEIR PERCENTAGE OF THE POPULATION DIMINISH BY 45%. AN AGING POPULATION CREATES A DIMINISHING WORK FORCE. A RECENT NEW YORK STATE LEGISLATIVE STUDY SHOWS BY THE YEAR 2000 THERE WILL BE 775 JOBS CREATED FOR EVERY 100 NEW WORKING AGE CITIZENS. THIS MEANS THERE WILL BE ONE APPLICANT FOR EVERY 7.5 JOB OPENINGS IN A MERE TEN YEARS FROM NOW. MANY AUTHORITIES HAVE INDICATED THAT A PERIOD OF SEVERE LABOR SHORTAGE FORECAST IS ALREADY UPON US. IN AN EFFORT TO ADDRESS THIS PROBLEM AND ASSURE US OF A SOUND ECONOMY, EVERY EFFORT SHOULD BE MADE THROUGH THE INSISTENCE AND THE SUPPORT OF THE FEDERAL GOVERNMENT TO SEE THAT NO ONE PERSON IN OUR SOCIETY FALLS THROUGH THE CRACKS BECAUSE OF HIS INABILITY TO ACQUIRE THE SKILLS AND OF EVEN GREATER SIGNIFICANCE THE MOTIVATION TO ENTER THE JOB SECTOR OF OUR COMMUNITY. DIRECTION AND ENCOURAGEMENT MUST START IN THE HOME ASSURING THE WORKERS OF TOMORROW THAT THEY NOT ONLY HAVE AN OPPORTUNITY FOR A REWARDING LIFE THROUGH THEIR JOBS, BUT WE MUST FURTHER CONVINCE THEM THEY ARE NEEDED TO KEEP OUR COUNTRY STRONG AND PROSPEROUS IN THE YEARS AHEAD. PARENTS

MUST MOTIVATE YOUNGSTERS, EDUCATORS MUST PERFORM TO A LEVEL HERETOFORE UNEQUALLED, AND EQUIP THESE YOUNG PEOPLE WITH SKILLS AND TRADES THAT ARE USABLE WHEN THEY ENTER THE WORK FORCE. WE MUST CONVINCE OUR YOUNG MEN AND WOMEN THAT WORKING WITH THEIR HANDS IS A REWARDING AND NOBLE PROFESSION. NOT EVERYONE CAN BE A DOCTOR OR LAWYER OR EXECUTIVE, YET OUR EDUCATION SYSTEM GRINDS OUT YOUNGSTERS WITHOUT SKILLS AND THE DIRECTION FOR HANDS-ON JOBS. IT SEEMS THAT A HIGH SCHOOL DIPLOMA IS THE PASSPORT TO COLLEGE AND THOSE WHO ACHIEVE ONLY A HIGH SCHOOL EDUCATION ARE ILL-PREPARED FOR IMPORTANT JOBS IN THE MARKETPLACE. WITHOUT HANDS-ON PROFESSIONALS OUR WHEELS OF INDUSTRY WILL COME TO A SCREECHING HALT. BUSINESS AND INDUSTRY MUST ALSO DEVELOP AN ALLIANCE WITH EDUCATION AND THE WORKERS OF TOMORROW TO SEE THAT THEY ARE BEING PROPERTY PREPARED FOR THE JOB MARKET. IN THIS REGARD, CONTINUED FEDERAL FUNDING OF EDUCATION MUST BE A PRIORITY. FURTHER INCENTIVES MUST BE GIVEN FOR THE COORDINATION OF THE INTEREST OF INDUSTRY AND EDUCATION TO ENCOURAGE THEM TO BRING RELEVANT SKILLS FROM THE EDUCATIONAL SECTOR TO FILL JOBS IN THE MARKETPLACE.

SERIOUS ATTENTION TO THOSE INDIVIDUALS WHOSE JOBS ARE TERMINATED BY MERGERS, BUYOUTS AND CUT-BACKS BY MANY FIRMS MUST BE ADDRESSED FOR THEREIN LIES A WEALTH OF MATURITY, EXPERIENCE, AND WORK ETHICS THAT ARE NOT ALWAYS ACKNOWLEDGED. THE FEDERAL JOB TRAINING PARTNERSHIP PROGRAM WILL BECOME AN EVEN MORE IMPORTANT COMPONENT IN THE FUTURE. CONGRESS MUST

CONTINUE AND EVEN EXPAND UPON THE SUPPORT IN THIS AREA SO AS TO KEEP PACE WITH THE CHANGING NEEDS AND TECHNOLOGY OF OUR INDUSTRIAL SECTOR.

THE FUTURE OF OUR ECONOMIC WELL-BEING IS TIED TO A BEVY OF ACTIONS AND SPIRITS OF COOPERATION THAT HAVE NOT ALWAYS BEEN THE CASE IN YEARS GONE BY. CONGRESS, IN ITS WISDOM, MUST ENCOURAGE LOCAL COMMUNITIES TO DEVELOP INNOVATIVE APPROACHES TO EXISTING OPPORTUNITIES. MOST IMPORTANTLY ARE THE INCENTIVES TO ENCOURAGE GOVERNMENTS TO WORK TOGETHER FOR THE BENEFIT OF THE PEOPLE. NO LONGER CAN DEVELOPMENT OF A SMALL TOWN, VILLAGE, OR CITY BE DONE ON A SINGULAR BASIS. THERE IS NEEDED THE MERGING OF CONCERNS OF TOWNS, VILLAGES, AND CITIES SO AS TO BRING TOGETHER THEIR EFFORTS TO BENEFIT NOT ONLY THEIR OWN JURISDICTION, BUT THOSE THAT SURROUND THEM SO THAT ALL WILL BENEFIT IN SOUND FUTURE GROWTH. THE INCENTIVES REFERRED TO HERE ARE REWARDS FOR REDUCING MUNICIPAL COSTS BY THE COORDINATION, AND IN SOME CASES, THE MERGING OF ESTABLISHED JURISDICTIONS. IF ONE TOWN NEEDS IMPROVED INFRASTRUCTURE THE COST OF SUCH A NEED CAN NOT BE JUSTIFIED, BUT IF A GROUP OF TOWNS AND VILLAGES WERE TO JOIN TOGETHER THE JUSTIFICATION FOR FEDERAL FINANCIAL SUPPORT TO ACHIEVE THIS GOAL BECOMES MORE SENSIBLE. MY THRUST THEN TO YOU IS TO ENCOURAGE THESE MERGERS AND ACTS OF COOPERATION: NOT TO DIMINISH THE PRESENCE OF AN INDIVIDUAL TOWN OR VILLAGE, BUT RATHER TO ENHANCE THEM THROUGH THE COOPERATION WITH THEIR ADJOINING NEIGHBORS.

IN CONCLUSION AS MY HAIR TURNS GREY I KNOW ALL TOO WELL THE TREMENDOUS OPPORTUNITIES THAT AWAITS EACH AND EVERY CITIZEN IN OUR COUNTRY, BUT THOSE OPPORTUNITIES CAN ONLY BE ACHIEVED THROUGH THE ENCOURAGEMENT OF THE FEDERAL AND STATE GOVERNMENTS, AND THE COOPERATION OF COUNTIES, VILLAGES, TOWNS, AND CITIES TO ASSURE THAT THE FUTURE GROWTH OF WESTERN NEW YORK WILL BE ONE OF OUTSTANDING BENEFIT TO EVERY MAN, WOMAN AND CHILD. TALK IS CHEAP AND OFTEN TIMES IN ABUNDANCE, BUT ONLY ACTIONS PRODUCE POSITIVE RESULTS. I ASK YOUR COMMITTEE TO HELP US PROTECT OUR ENVIRONMENT, OUR AGRICULTURAL LANDS, TO RECOGNIZE THE SIGNIFICANT CONTRIBUTIONS MADE BY OUR EDUCATIONAL SYSTEM NOW AND THEIR IMPORTANCE IN THE FUTURE AND TO ASSURE THE BUSINESS COMMUNITY THAT THEY WILL OPERATE IN AN ENVIRON CONDUCIVE TO DOING BUSINESS AS WELL AS HAVING ACCESS TO SKILLED, MOTIVATED, AND TALENTED PEOPLE TO HELP ACHIEVE THIS OBJECTIVE.

PROGRAMS LIKE THE DALE CARNIGE COURSE SHOULD BE INSTITUTED IN GRADE SCHOOL TO ENABLE OUR KIDS TO DEVELOP THE SELF CONFIDENCE AND ENTHUSIASM TO MEET THE CHALLENGES AND REWARDS THAT AWAIT THEM IN THE WORLD OUTSIDE THE HALLS OF OUR EDUCATIONAL INSTITUTIONS.

OUR AGENCY IS CONVINCED THAT THERE NEVER HAS BEEN A TIME OF GREATER OPPORTUNITY FOR OUR COUNTY AND ITS PEOPLE THAN EXISTS THIS VERY DAY. TO KEEP OUR COUNTRY'S ECONOMY STRONG AND VIBRANT WE MUST USE OUR EVERY EFFORT TO SEE THAT OUR GREATEST

ASSETS, OUR PEOPLE, RECEIVE A RELEVANT EDUCATION, ARE TAUGHT MARKETABLE SKILLS, AND RE-TRAINED PROMPTLY WHEN DISLOCATIONS OCCUR. WE CANNOT AFFORD TO HAVE ONE PERSON FALL THROUGH THE "CRACKS" OF OUR SYSTEM FOR EVERY PERSON IS SORELY NEEDED IF WE ARE TO CONTINUE AS A FORCE TO BE CONTENDED WITH IN GLOBAL MARKETS. GOVERNMENT AND BUSINESS MUST SET THE DIRECTION BY THEIR EXAMPLE OF COOPERATION TO ENABLE ALL PEOPLE TO SHARE IN THE GREAT AMERICAN DREAM. THIS WILL GUARANTEE THAT THE BEST IS YET TO COME FOR ALL OF US.

THANK YOU.

L ...EL L. HOPKINS
Mayor

MARK D. COLOPY
Clerk-Treasurer

TRUSTEES
JAMES R. ROBINSON
JOSEPH DiSALVO
JAMES GOROM
ROGER INGALSBE

SEP 0 7 Recd

37 MAIN STREET
OAKFIELD, NY 14125

Telephone-716-948-5862

September 6, 1989

One of the major problems that face rural areas in Western New York is being sterotyped by government officials. Whenever the word rural is used people think of white farm houses, red barns and fields of corn and wheat. It is true that Agricultural Districts make up a large part of the area that we represent, but this does not mean that the problems we face deal strictly with Agricultural business.

All of us are aware that our country faces a devastating drug problem. Rural areas are not immune to this. With our location so close to the Canadian border and the Cities of Buffalo and Rochester we are in a natural traffic flow for drugs entering our country. I would hope that the sterner measures proposed by President Bush to combat the drug problem will not forget the rural areas when expenditures are made.

We also have the same problems with the care of our Senior Citizens that face many urban areas. With a shortage of facilities and clinics that will accept the elderly, many of our senior citizens go without proper care or see their life savings dwindle away paying for services that many of us take for granted.

Like urban areas we also face a shortage of low and medium income housing for the growing number of poor in our country. As more and more manufacturing jobs have left the Western New York area, only to be replaced by low paying service oriented jobs, the average income in our area seems to be dropping. Unless we can provide adequate housing for these people we may see a loss of our population to other areas of the country.

I don't expect the Federal government to be a bottomless well of funding for many of the problems that I stated. I just felt that everyone should be aware of the fact that many of the problems that face urban areas also affect rural areas. Although we face these problems on a much smaller scale than the urban areas do, they are a real crisis that must be dealt with. In many cases with a helping hand and guidance on the Federal level we can work to overcome them.

Sincerely,

Daniel Hopkins

Daniel Hopkins
Mayor, Village of
Oakfield.

COMMUNITY SERVICE

Genesee County Sheriff's Department *County Building 1, Batavia, New York 14020*
Community Service/Victim Assistance Program *Phone 716-344-2550*

VICTIM ASSISTANCE

CONGRESSIONAL
HEARING

SEPTEMBER 11, 1989

HOUSE OF REPRESENTATIVES AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

TESTIMONY OF DENNIS J. WITTMAN, DIRECTOR
COMMUNITY SERVICE PROGRAM
VICTIM ASSISTANCE PROGRAM
GENESEE COUNTY SHERIFF'S DEPARTMENT

POLICY STATEMENT: THE CHALLENGES OF THE CRIMINAL AND VICTIM JUSTICE IN RURAL AMERICA

Thank you for the privilege to share with you, the distinguished representatives of Congress, our perception of the challenges facing the Criminal & Victim Justice system as we enter the 1990's. Thank you for being more than a government "Of the People, By the People and For the People" but for bringing the federal government to the front line local level.

In every field of endeavor, challenges require total committment if we are going to make a meaningful difference in the lives of those touched by our work. These same challenges test our capacity to be creative as caretakers in both the human and personal dimension. Today, there are no easy answers or solutions in doing Justice that restores and reconciles those broken by violence, crime, drugs and even death.

Our committment to Justice is one that restores public confidence and helps with the healing for victims, offenders and our rural communities. We have been blest that our Genesee Justice philosophy has touched many -- those in 43 States, 8 Canadian provinces and 17 Countries. We have been blest to speak with members of the Canadian Parliament, members of the Supreme Court of Canada, members of the Ministry of Justice of Japan and a number of State Sentencing and Judiciary Commissions throughout the United States.

Many are searching hard for Justice solutions around the globe. We have been most fortunate in Genesee County to nuture credible

grassroots solutions in our Criminal and Victim Justice system. We have worked our hearts out with a "hands on" approach in addressing the challenges of our Justice system.

Unfortunately, the decade of the 80's will be remembered as the decade of massive imprisonment. Unfortunately, it has been the fastest growing industry in the United States. It is draining our economic resources and effecting our competitiveness in the international marketplace. Most importantly, incarceration is often only a quick fix for those who commit misdemeanor or felony offenses against victims and communities. The victims we have worked intensively with as well as community citizens who we bring into our community impact statements often want accountability and to obligate the wrongdoer. In truth, they want a payback, they want real committment and they want justice that is genuine and lasting.

The challenges facing Justice systems are basically the same regardless of one's rural or urban setting. The size and the scale may be difference, but remember that we are all cast from the same human mold. The significant difference in our Genesee Justice approach is that we view our life work as a life mission.

Genesee Justice is more than a system. It is real people caring and reaching out to other people. It is a system of humans, for humans. It is people inside the justice framework reaching out to people in the community ... sharing justice with them. It is victims recommending community-based sentences for offenders. It is offenders being obligated beyond self to their victims and communities. It is citizens participating in impact statements, reconciliation conferences and opening their non-profit agencies, schools, churches to all our justice initiatives.

Genesee Justice has a continuous focus on people -- for the betterment of those wronged, the wrongdoer and the maintenance of peace in the community. Who benefits? The people - victims, offenders and our communities. Benefit is viewed in human life - a life restored or a life renewed with meaning is the heart of how we face the challenges of doing justice.

Further, each of us needs to ask crucial questions on how to improve the quality of justice in our hometowns whether its in Oklahoma, Oregon, Alabama or New York. Justice policies and initiatives undertaken anywhere should ask:

(1) Can peaceful resolution result from criminal conflict?
(2) Can we obligate offenders to perform hard work, reconcile with their victims, make restitution and help themselves with a better life direction?
(3) Are we hard or soft on crime?
(4) What really counts and what does it cost?
(5) What we get for our money?

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(6) Can Justice be tough and compassionate?
(7) How much do we value commitment?
(8) Is there a better way in our Criminal & Victim Justice syste /
(9) Is there a need to redefine our criminal and victim justice system?
(10) What are the priority concerns of victims of crime?
(11) Are there positive punishments?
(12) The bottom line - do our justice initiatives work?
(13) Why is the spirit of the law as important as the letter of the law?

The human challenges of doing justice with a deep sensitivity to help restore someone's broken life doesn't come easy. Its important to remember that we talk, work and do in human terms not statistics. Walking through the legal maze for 22 months with the wife of a federal agent shot to death is the challenge of doing justice. Taking a long stand in the courtroom and parole process for a three month old infant who was slammed against the wall suffering 32 fractures is the challenge of doing justice. Being there, day or night, for 16 months with the wife and mother whose husband, twin four year old sons and six year old son were killed in one instant by a drunk driver is the challenge of doing justice. Making sure that a 79 year old lady senses that someone cares and is given dignity and standing after she had been raped is the challenge of doing justice. Sitting inside a jail cell with a young black man as he reconciles with the young man he seriously assaulted is the challenge of doing justice. Sitting quietly with a grieving Native American family in their home on the Reservation until 11 p.m. trying to understand their deep suffering over the death of their daughter and sister is the challenge of doing justice. These are but a few of the human challenges that we face continuously and intensively as we carry out our life mission of doing justice and peacework.

The difference in doing Genesee Justice makes all the difference. Being there time and again; outreach over and over; repeatedly bringing citizens of our communities into our justice initiatives in real ways; perseverance for the long haul ... these are the ingredients that bring positive solutions to very difficult challenges facing Justice systems in America.

Of great importance, we believe in the rebirth of many biblical themes that have been lost in doing justice. Reconciliation, Reparations, Restitution, atonement and forgiveness are the foundation of real peace and justice in our communities.

How can you help? You can help by your leadership capacity ... by informing your own Congressional constituents that there are better ways to do Justice -- for themselves, for innocent victims and for those who have wronged. Every community has the capacity to begin anew their justice mission. Healing, obligating, peacemaking, righting wrongs and the work ethic do make a difference in bringing about real justice. Peace work needs your help.

Lastly, I respectfully ask to pray for two families who hopefully will feel a sense of genuine justice today in Kansas. Their children were killed by an elderly drunk driver. For the past several weeks they have been calling from their hometown of Kedron, Ohio. They had so many questions on their rights in the justice system. For the offender, it is a blessing that these good people are strong of spirit and forgiving. I ask you to pray not only for them, but that the sentence of the court will bring peace and healing. Thank you.

Respectfully Submitted,

Dennis J. Wittman
Director, Community Service Program
Victim Assistance Program

Town Supervisor
Town of Bethany
Genesee County, New York

Genesee County Sheriff's Department County Building 1, Batavia, New York 14020
Community Service/Victim Assistance Program Phone 716-344-2550

COMMUNITY SERVICE

VICTIM ASSISTANCE

WAYS THAT THE FEDERAL GOVERNMENT CAN HELP

JUSTICE IN RURAL AMERICA

CONGRESSIONAL HEARING: SEPTEMBER 11, 1989 LEROY, NEW YORK

HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

(1) CONTINUATION OF VOCA FUNDING WITH AN EMPHASIS ON UNDERSERVED RURAL COMMUNITIES; MANY RURAL COUNTIES IN THE UNITED STATES DO NOT HAVE ANY VICTIM SERVICE AGENCIES TO ATTEND TO VICTIMS OF CRIME.

(2) PROVIDE ADEQUATE FUNDING AND TRAINING TO RURAL LAW ENFORCEMENT AGENCIES AND DISTRICT ATTORNEYS WITH EMPHASIS ON CRIMES OF VIOLENCE AND DRUG RELATED CRIMES.

(3) PROMOTE FEDERAL AID TO SCHOOL DISTRICTS WHO HAVE A PROVEN TRACK RECORD IMPACTING ON THEIR STUDENT BODY AND DRUG AVOIDANCE.

(4) PROVIDE SUPPORT FOR COMMUNITY-BASED MODEL JUSTICE PROGRAMS THAT ENCOURAGE COMMUNITY INVOLVEMENT & OWNERSHIP OF JUSTICE ISSUES PERTAINING TO VICTIMS, OFFENDERS AND THE DRUG CRISIS.

(5) FOSTER A COALITION OF YOUTH, CHURCH AND CIVIC LEADERS WHO WILL ACTIVELY BECOME INVOLVED IN THE JUSTICE SYSTEM AND IN DOING JUSTICE.

(6) INCORPORATING THE RESTORATIVE JUSTICE PHILOSOPHY INTO OUR LEGAL SYSTEM IS ESSENTIAL TO THE CONTINUATION OF THE AMERICAN JUSTICE SYSTEM.

(7) THE UNITED STATES SHOULD INITIATE AN INTERNATIONAL SYMPOSIUM ON LEGAL AND JUSTICE RELATIONS WITH AN EMPHASIS ON HOW THE INTERNATIONAL COMMUNITY OF NATIONS DESIRES TO DO JUSTICE AS WE ENTER THE 21ST CENTURY.

(8) INITIATE THE FORMATION OF MULTI-NATIONAL COMMUNITY JUSTICE AGENCIES THAT WOULD DEVELOP AND USE CRIMINAL AND VICTIM JUSTICE SANCTIONS APPROPRIATE TO SPECIFIC JUSTICE PROBLEMS.

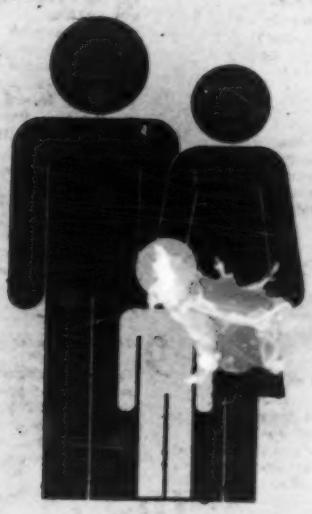
(9) THE RE-ESTABLISHMENT OF COMMUNITY CORRECTIONS REVIEW BOARDS COMPOSED OF CITIZENS IN EACH COMMUNITY WHERE A FEDERAL OR A STATE PRISON IS LOCATED. THIS WOULD AFFORD THE COMMUNITY OWNERSHIP OF THE OPERATIONS AND ENVIRONMENTAL CONDITIONS OF THOSE IN PRISON. AS A MINIMUM REQUIREMENT, EVERY SUCH COMMUNITY CORRECTIONS REVIEW BOARD SHOULD HAVE AT LEAST ONE CITIZEN WHO HAS BEEN A VICTIM ON THAT BOARD. THIS CONCEPT COULD EQUALLY APPLY TO A COMMUNITY CORRECTIONS REVIEW BOARD FOR LOCAL COUNTY JAILS.

(10) THE FEDERAL GOVERNMENT SHOULD PROMOTE THE CONCEPT OF OPEN PAROLE HEARINGS SO THAT ANY PARTY DIRECTLY IMPACTED BY AN INMATE AND/OR HIS RELEASE WOULD HAVE THE OPPORTUNITY TO PRESENT THEIR RELEVANT INFORMATION TO MEMBERS OF SUCH A PAROLE BOARD. MANY STATES ALREADY HAVE THIS CONCEPT BUILT INTO THEIR CORRECTIONS STATUTES.

DENNIS J. WITTMAN
DIRECTOR, VICTIM ASSISTANCE PROGRAM
COMMUNITY SERVICE PROGRAM

Genesee Justice

Instruments of Law, Order, and Peace



Adult Community Service
Intensive Victim Assistance
Victim-Directed Sentencing
Victim/Offender Reconciliation
Pre-sentence Victim Conferences
Affirmative Agreements
Intensive Felony Diversion
Second Felony Offender Diversion
Research and Development
Felony Reparations
Victim Impact Statements
Community Impact Statements
Juvenile Community Service
Attica ALFA Youth Program
Uniform Cemetery & School Vandalism Sentencing Guidelines

13 Important Questions on Improving the Quality of Justice

1 *Where is Genesee County?*

A county of 60,000 people located halfway between Buffalo and Rochester, New York; 12 miles north of Attica Correctional Facility and 55 miles from Niagara Falls.

Genesee County is where the Justice System has sought peacework and peaceful resolution to criminal conflict. It is a county where community ownership prevails in the Justice System. The rights and standing of victims, offenders and the community have balance and have been brought into harmony.

2 *Are we Hard or Soft on Crime?*

Obligating offenders to perform hard work for their communities, reconcile with their victims, make restitution for their wrongs and helping themselves with a better life direction, requires far more of an offender than three meals a day, sleeping, playing cards and watching television - often the typical jail or prison day.

3 *What Counts and What does it Cost?*

Making an offender responsible for his action counts. Days incarcerated count because it brings a big buck burden to law abiding citizens. For those offenders not a serious threat to community safety, why count out $17,000 to $25,000 per year to care for him? Hold that offender accountable with well run community based sanctions like ISP, House Arrest, Community Service, restitution, reparations, Victim/Offender reconciliation. Make him become a contributing member of the community . . . don't let him count on an easy ticket at taxpayer's expense for 1, 3 or 10 years.

4 *What do we get for our Money?*

Victims want to feel safe and protected. Well run community based sanctions can give them that local security . . . and it's at the local level victims and law-abiding citizens need to feel secure. When victims speak of justice they speak of offenders being more useful and productive. Free accommodations for them in local jails and state correctional facilities should be corrected - every offender should work and pay his price to the victim and community he or she has wronged.

5 *Can Justice be tough and compassionate?*

Healing and reconciliation are at the heart of Genesee Justice. Those who choose to wrong, need to atone to those wronged. Living up to the wrong committed and especially the one wronged is far tougher than merely going through the paces of marking time. Suffering requires sensitivity . . . hurting requires healing . . . if the wrongdoer is a part of the problem, he should become a part of the solution beyond himself.

6 *How much do we value Commitment?*

Too often, commitment in the Criminal Justice System tends to be measured in terms of months and years. In Genesee Justice, commitment means digging far deeper to search for better peace and justice solutions for victims, offenders and our communities. Commitment means having involvement, flexing a justice system, victim-directed sentencing, offender specific obligations, community corrections and ownership. Our commitment places a priority on pursuing peace and justice . . . and taking the commitment out of incarceration where appropriate.

7 *Is there a better way in our Criminal and Victim Justice System?*

Yes, there is a better way. Peace and justice require hard work, long hours, intensive caring. Quality justice demands quality people attending to it. When given genuine alternatives and dignity, victims and communities can contribute immensely to better ways to do justice. Negligent Homicide, Armed Robbery, Attempted Manslaughter, Felony Sodomy, Rape, 1st, are several types of criminal offenses where victims and communities have spoken out for better ways than pure incarceration.

8 *Is there a need to redefine our Criminal Justice System?*

Yes, there is an urgent need. The Justice System focuses far too heavily on the offender. What about equal standing for the victim and the community? There is a need to balance the scales of Justice and give equal standing to victims, communities and offenders. It should be called the Criminal and Victim Justice System or the Human Justice System.

9 *What are the priority concerns of Victims of Crime?*

The myth is that victims want every offender to be put away for the longest period of time. The reality is that victims want to feel safe and protected. They want the offender to be made accountable and responsible. They want equal treatment by those who run the Justice System.

10 *Are there Positive Punishments?*

Yes, any time a judge orders Community Service, restitution, reparations, reconciliation; any time a prosecutor agrees to affirmative agreements, intensive felony diversion, involves the victim fully; any time the community steps forward to become directly involved with offenders and victims, recommend sanctions, sponsor offenders - then, Yes, punishment becomes a positive symbol that justice signifies far more than only being punitive.

11 *The Bottom Line - do Genesee Justice Initiatives work?*

They work and work well.
Community Service: 80,000 plus hours to 118 non-profit agencies.
800 Offenders diverted from jail through Community Service sentencing.
95.5% of those offenders successfully completing Community Service.
160 victims of violent crimes attended to . . . and holding their offenders accountable.
Over 50% of those victims recommended community based sentencing, instead of jail or state prison sentencing.
Victim directed sentencing in felony cases resulting in 65 years, 310 days of jail/prison saved.
Offender reparations to volunteer fire departments, churches, educational memorial funds directly linked to the deceased victim's life contributing areas.
Victim/Offender Reconciliation Conferences requiring offenders to sit side by side, face to face with their victims . . . victims of Criminally Negligent Homicide, Armed Robbery, Attempted Manslaughter, Felony Sodomy, Violent Assault.

12 *Why is the Spirit of the Law as important as the Letter of the Law?*

Too often, Justice confines itself to the legal end of the law. Justice and law, to have true meaning, necessitates incorporating the spirit of law with the letter of the law. An exceptional example is a dismissal of an indictment in the furtherance of justice. The spirit of the law, in conjunction with the letter of the law, can come together to bring a better justice resolution for all - victim, offender and community; Judiciary, prosecution and defense counsel.

13 *How can you Help?*

You can help by informing the public that there are better ways to do Justice - for the citizens of your community, innocent victims and those who have wronged. Every community has the capacity to begin anew their justice mission. Judges need factual and objective information from victims and the community as well as the defendant. Healing, obligating, peacemaking, righting wrongs and the work ethic do make a difference in doing justice. Peacework needs your help.

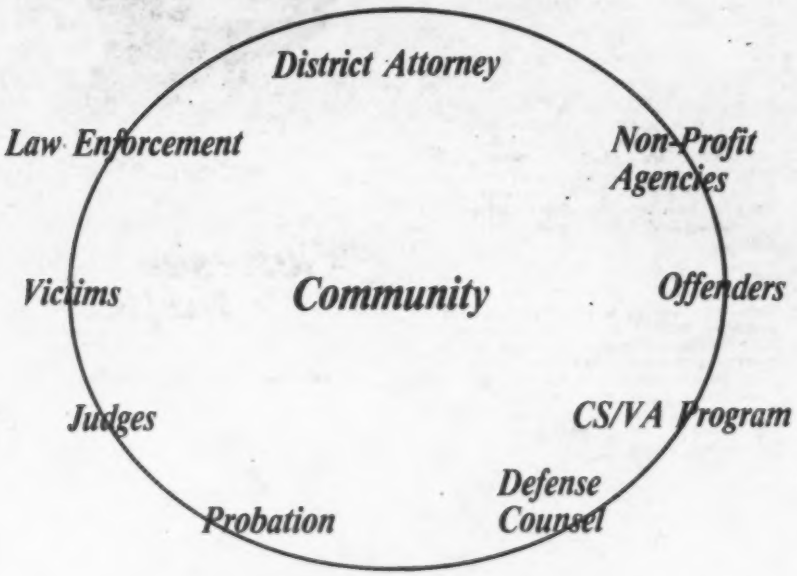
For Further Information on Genesee Justice, contact:
Community Service/Victim
Assistance Program
Genesee County Sheriff's Dept.
County Building No. 1
Batavia, New York 14020-3199
Phone (716) 344-2550, Ext. 226

Genesee Justice

Instruments of Law, Order, and Peace

Peacework

Peacework is never easy.
It requires commitment and caring.
It brings together peace and justice.
It attempts to conciliate rather than condemn.
It requires more than words to make peacework.
It affirms hope to the hopeless and healing to those hurting.
It requires every ounce of energy . . . every ounce of sensitivity.
It advocates for a reconciling rather than an adversary justice philosophy.
It attends equally to those broken and bruised victims and offenders of our communities.
It brings together, spiritually and physically, victims, offenders and community whenever possible.
Genesee Justice - Peace at work . . . Peace until we meet again.



Genesee Justice

Crafted with pride in New York

(Additional attachments are held in the committee files.)

Village of Le Roy
INCORPORATED IN 1834
LE ROY, NEW YORK 14482
716-768-2527

September 11, 1989

Village of LeRoy -Testimony on Problems Facing Rural Communities In the Northeast

Presented by Jeffrey R. Smith, Village Administrator

Before The House Agricultural Subcommittee on Conservation, Credit, and Rural Development
LeRoy, New York

Thank you for the opportunity to speak to you regarding the problems facing rural communities in our area and the entire northeast. As I begin my remarks I would like to stress that increasingly, the problems of rural america are becoming no different from those seen in urban areas. The urban numbers may be higher, occur in more concentrated areas and receive more media attention, but the problems are similar, and many times, on a per-capita basis, rural problems are as or more severe than urban areas. Having worked with and for local governments on a county, state, federal and local level, I am amazed to see the issues rural local governments have become involved with over the last five years. No longer do we just worry about filling pot holes, providing water and sewer service, and collecting garbage, though these areas are still large concerns and are areas where providing adequate service is becoming more and more difficult. Today we are increasingly being forced to address social problems: drug and alcohol abuse, family counseling, day care, health services, and education, that were never primary concerns of rural local government. Largely because of the federal government's abandonment, or disregard, for many of these traditional areas of concern and the state's propensity to follow the federal government's lead and back off on their assistance to local governments while passing on more and mandates, people are turning to local government to solve their real and pressing problems.

The primary idea I would like to stress here today, is that I beleive local governments can meet many of the concerns people and other governments are asking them to address. In many instances the local response will be more innovative, effective and cost efficient than having them administered by federal or state bureaucracies. But, it will be impossible for rural local governments to meet even their traditional functions without outside assistance and support from the federal government. The Reagan year's were an interesting shell game where we were told

that a new federal-state-local relationship would be forged. One where the federal government would get off our backs and let government be returned to the localities where people knew and understand their needs the best. The reality of this new relationship has been one where the federal government has removed itself, and its money, from the relationship altogether. In many areas the federal government has thrown these very trying and major problems on the backs of state and local governments while abandoning 200 years of intergovernmental theories, relationships and policies, not for any philosophical or social reasons, but simply to raise monies for the federal treasury, by any means possible, in order to raise revenues without increasing income taxes. At the same time (as governments that lack monies or the will to invest in selected areas themselves tend to do) local governments are delivered more unfunded state and local mandates, forcing the local governments to do the things the higher level of governments want accomplished, but don't want to pay for. The net effect of these policies has been to turn government revenue generation from a progressive taxing structure into a regressive tax system forcing low and middle class citizens to pay a proportionally higher portion of their income in taxes. The real problem local governments face is their only significant revenue generator is the regressive, non-elastic real property tax that taxes people in no proportion to their ability to pay. This further adds to taxpayer confusion distrust and apathy towards all forms of government because, they aren't sure how or why, but they know more and more of their limited incomes are going to pay higher and higher taxes. What's more frustrating - even though they are paying more and more, everything around them seems to be going to hell in a hand basket.

Right here in LeRoy we are facing infrastructure, drug, and social problems that, without outside assistance, will never be adequately addressed and for financial reasons may be ignored altogether. The tragedy of this is the fact that a problem not addressed or ignored today while it is still manageable, will become a larger, more complicated and complex problem in the future. A small investment today in treating the root causes of our problems could save massive expenditures in the future to try to manage the resulting complications.

As we speak there are three areas, containing almost two hundred households, where water supplies are polluted or have other health threatening problems. In Lime Rock, a hamlet located in the Town of Leroy about 1/2 mile from where we sit, 51 people have contracted shigella, a highly contagious bacterial infection that causes severe intestinal problems. In another area, West Bergen Road, 23 of 36 wells tested in 1983 by the Genesee County Health Department were found to be grossly contaminated.

You can imagine our frustration, concern and fears knowing our neighbor's are drinking and becoming sick from contaminated water but we cannot help them because necessary funds are not available. We're not asking for 100% funding mind you. What we are asking for is a fraction of the total to make these projects economically feasible. To date the Town has been trying for over six years to correct the West Bergen Roard problem. All state and federal officials contacted agree there is a serious problem but, unfortunately, for one reason or another, none of their programs can help. Understand, each one of these projects are located within one quarter of a mile from the Village of LeRoy water distribution system. Within the last six years the Village has invested over $5,000,000.00 into its water system in order to bring it into compliance with the federal clean water act requirements. In this case water, literally, is just down the road but we can't muster the relatively small investment from state or federal sources to help us improve the health of 200 families.

To eliminate the groundwater pollution that is causing the problems for our rural areas we must invest in less intensive aricultural practices, develop groundwater and watershed management projects on a large scale, and fund soil and water conservation education and management programs. In rural areas we must discourage uncontrolled growth and development from taking place in our prime agricultural areas. Methods must be developed (innovative zoning techniques, land easements, purchasing of development rights, etc.), to stem the tide of urban spral that is overtaxing our natural resources. Rural areas must be able to grow without giving up the physical, environmental and social fabric that make them the strong, resilient places that characterize small town america.

In order to improve and maintain our economic health and local social conditions, the Town and Village have been actively promoting the generation and expansion of small businessses in the community to assist local residents and farm families to supplement their incomes. We have several industries that have developed to the size where they can afford to build and occupy their own buildings. Unfortunately, the Town and Village do not have an industrial park or any other area available for them to move into. We have lost one local industry so far and are about to lose another. I cannot describe how discouraging it is to encourage and assit an industry to grow and succeed, only to have it move away to an affluent suburb. Jobs come dearly in rural areas and the loss of 15-20 jobs has a significant impact on the community. The Village is investing over $50,000.00 to plan an industrial park, but it does not appear we will have the financial resources to exted water, sewer and roads to the selected site in time to keep the industry here. It's the classic chicken and egg

syndrome, in order upgrade our infrastructure to expand our tax and employmnet base we need additional commerical and industrial development. In order to attract industry you need adequate infrastructure and quality of life amenities in place. For many communities in rural america "Catch 22" is a primary axiom.

At least in LeRoy we have the resources to attempt to help ourselves, unlike many other rural communities I am familiar with. Before coming to LeRoy I was the Administrator of a small Village located in Erie and Cattaraugus Counties, Gowanda, New York. There I learned first hand that if you are a small community set upon by hard times the federal and state program deck is stacked against you. Not only don't you have the political base and votes to make your community important to state and federal officials, but you lack your own resources to attempt to help yourself. Without flexiable outside funding sources, many small communities will be forced to the brink trying to comply with the ever increasing environmental, legal and social issues being thrown at them. Rural areas are going to be very expensive areas to live and still lack the most primary and basic of services.

While I lived in Gowanda, three bridges were closed within the Village because they were unsafe. Within a two month period two local bridges collapsed. The main roads in the tri-county area of Cattaraugus, Erie and Chautauqua Counties are deteriorated beyond repair, with many local road systems literaly turning back into dirt roads. Many water systems are over one hundred years old, with undersized leaking lines. In some of these communities I predict there will be a time, in the not to distant future, where we will be combating diseases and public health problems we thought we had won fifty years ago. Rural health needs are going unmet with more and more rural american's lacking the services of a local family doctor. In many rural areas it is not unusual to have to travel thirty - forty miles for relatively simple medical assistance.

Alternative and innovative methods for solid waste control and disposal must be pursued by all levels of government. We must combat excessive packaging by manufactures, recycling and reuse of materials in the solid waste stream, and safe, reliable disposal methods. All areas where federal the federal government must take a primary role. Rural america is becoming the dumping ground for its urban and suburban neighbors, and in the case of Western New York, a large section of the eastern seaboard. Here in LeRoy we are actively pursuing a small regional composting facility that will take sewer sludge from eight neighboring communities and, mixing it with newspapers, magazines, yard waste, brush, manure, and wood chips, to create a useable byproduct: topsoil.

No state and federal agency is assisting us in this innovative venture. One of the primary reasons being, we felt the tight regulations of a typical bureaucratic grant program would hinder the flexible and creative process this project demands, not to mention the time delays and layers of additional, nonessential, add-on requirements most state and federal programs carry with them. The project is very exciting, and appears to be a financially viable and environmentaly sound method to remove several troublesome materials from the solid waste stream at one time - that is unless the proposed flawed EPA Part 503 composting regulations make the benefical reuse of sludge all but impractical.

The only agency that is supporting our attempt is the USDA Farmers Home Administration, which is encouraging us to proceed with the study, and, if the project is successful, they will offer a long term loan from their scaled back water and sewer loan program. FmHA in New York State has long been known as one of the most innovative and flexiable agencies available to rural communities. The demise of their community facility and sewer/water low interst loan and grant programs is acutely felt in rural areas today more than ever.

We in rural areas are proud people who are used to and, for the most part, prefer to solve our own problems. Unfortunately, this same tradition of independance and self-reliance is hurting us in our attempt to obtain the assistance we so desperately require. Give rural communities a little help, and they will show you innovative and creative ways to solve the crucial problems facing us today beyond your highest expectations. As we sit here today I am fully cognizant of the dire financial condition of the federal government and the fact the big government domestic programs of yesterday are over. Perhaps that's not so bad anyway.

All we in rural areas ask is for a committment to the idea of a true state - local - federal partnership that will allow us to work together to develop and harness the unique and creative natural talents that are so prevelant, and oftentimes underused in small communities all across the United States. At this point I am going to mention a discontinued program that, for many small comunities, has been the only direct federal program they've been able to use - Federal Revenue Sharing. Federal Revenue Sharing is bad mouthed and looked down upon in federal and state circles these days, and I agree the program as it was designed had flaws. But, for many rural areas it was the only game in town. We cannot afford to hire staff, outside consultants or recently retired federal undersecretaries to assist us in cultivating contacts and generating slick, good looking grant

applications. Most Mayors, Supervisors, Councilmen, and local government employees are too busy fighting the daily brush fires that occur on the front lines of local government to devote time to lobbying and writing position papers. It is difficult for us to attend functions like this or spend the hours to draft testimony on the multiple issues that threaten our viability when we are facing immediate and increasing needs in our community that have to be dealt with as best we can with tools we've got.

The best thing the federal government could do for rural areas is develop a flexible program that takes the federal revenue sharing idea and ties it to a directed, results oriented, locally developed and administered, action program. Local governments, given the chance, could be hot beds of innovation where new ideas and techniques could be introduced, honed and developed. Ideas that work could be communicated to and duplicated in similar small communities across the nation. A nonbureaucratic, easily administered program could produce cost effective results without the long lead times, administrative, and oversight costs associated with traditional loan and grant programs.

Rural areas are not looking for a hand out. All we ask is the oftentimes uneven federal and state playfields be leveled so they aren't biased against rural areas, and allow us to tap our own local sources to make improvements and changes that make sense for our communities. Given the chance, I feel the federal government will see results that multiply its initial investment tenfold. Without federal help the future of many rural areas looks bleak. The brain drain of our best and brightest will continue and a vital piece of our culture, values, and belief systems will disappear with it. Stable small towns, villages and cities have been the backbone of america since its founding. To ignore the significant and real threats that confront rural america today would be wrong and painfully tragic for the entire nation.

Thank you for your time today. The fact you are here and listening to what we have to say, shows that there is concern for our problems in Washington. Hopefully, this series of hearings will provide thoughts and ideas that will result in real and significant legislation for rural communities to thwart the backward spiral many of us are experiencing today.

Testimony Submitted by
Anthony DiMarco, Director
Ontario County Office for the Aging

The single most important concern affecting the quality of life of rural seniors, as well as urban seniors, is availability, accessibility and affordability of health care services. There is a simple solution to help improve this quality-of-life concern which involves an improvement in Medicare to help it work better.

After years of organizing by senior citizen groups, health associations, and labor unions, Medicare was enacted in 1965 to provide affordable and accessible health care to senior citizens over strong objections by the American Medical Association (AMA). Physicians were able, however, to win a number of concessions in the program. One of the most important of these was allowing physicians to charge their patients more than what Medicare sets as a fair amount for reimbursement. This means that most seniors have to pay out-of-pocket for medical services over-and-above what Medicare covers (known as the assignment rate).

More and more seniors are unable to afford health care. When doctors refuse to accept the assignment rate, out-of-pocket costs go up; many seniors tend to skimp on health care, especially preventive care like checkups. Ultimately, this increases health costs because health problems get worse and more expensive to treat the longer they are left untreated. Simply put, health care costs are taking a bigger and bigger chunk out of seniors' income, outstripping inflation, while physicians' substantial incomes are running ahead of inflation.

Seniors now pay a greater percent of their income for health care than before Medicare was enacted. Medicare needs some help in order for it to accomplish its original intentions.

Help is available in the form of legislation as is pending in the New York State Legislature. The Mandatory Medicare Assignment Bill (A3500), introduced by Assemblyman Harenburg, would require physicians to only charge Medicare patients the assignment rate. Medicare would pay the usual 80% of the charge, and the senior pays the remaining 20%. Only a minority (25%) of doctors "accept assignment" 100% of the time in New York State.

The remaining physicians may charge whatever they wish. Furthermore, there is no requirement for physicians to accept Medicare beneficiaries as their patients.

The State of Massachusetts passed an Act in 1985 which requires physicians not to charge to, or collect from, Medicare beneficiaries any amount in excess of the reasonable charge for that service as determined by the Medicare administration. (This determination is calculated from the "reasonable and customary" charges of physicians in the area.) Therefore, in Massachusetts, if a physician agrees to treat a Medicare patient, she/he must accept the assigned Medicare amount only, and not charge the patient in excess of that amount. This has helped Massachusetts' seniors get better control of their medical bills. Indeed, the Federal government reports that "the nation's 31 million Medicare beneficiaries paid $2.7 billion in doctor bills over and above charges the government considered reasonable" in 1987 (Times-Union, 10/3/88). That averages out to about $38 extra for each doctor bill. Such "excess billing" is unnecessary and unfair to seniors.

The Massachusetts statute was challenged by the Massachusetts Medical Society and the AMA. The U.S. District Court ruled in favor of the statute. It was subsequently appealed to the Appellate Division where the ruling was upheld. Finally, it was brought to the U.S. Supreme Court where it was denied to be reviewed. It is law of the land of our eastern neighbors. But not as yet in New York State. And not as yet in the Nation.

Many states are considering similar legislation; others have been thwarted or compromised in their efforts by organized medical societies. The fear of losing physicians has been used as a strategy to defeat such legislation. But, in fact, in Massachusetts there has been no noticeable loss of physicians. Indeed, that state has experienced a sizeable increase in the number of MD's! Approximately 30% of the average physician's income is derived from Medicare. It would be unwise for any physician not to accept Medicare patients.

Mandatory Medicare Assignment legislation can singly do more for seniors than any other piece of legislation being considered this year. Given the current deficit problem it is the kind of legislation elected officials seek; it costs the treasury nothing, yet helps a sizeable portion of our citizens deal with their most important need: health care. For seniors, because of the new burden of the Medicare Catastrophic Coverage Act of 1988 the timing is right for such legislation to be enacted next year.

In a larger context, it should be remembered that Medicare and Medicaid were enacted in 1965 as a compromise to a national health care program for the United States. Medicare serves as the foundation of guaranteed health coverage for the elderly, that is, for all of us. It is a right of our citizenship that our parents and grandparents fought for through their unions, professional associations, and hard work. In a nation that shares the infamous distinction of being the only industrialized society - along with South Africa - of not having a national health care program for all its citizens, Medicare stands as the hope toward the goal of making health care a right for all of us. Mandatory Medicare Assignment is a simple way to help Medicare work better for all Americans.

ALBERT W. HAWK
VICE PRESIDENT AND AREA 2 DIRECTOR
NEW YORK STATE SCHOOL BOARDS ASSOCIATION

THE NEW YORK STATE SCHOOL BOARDS ASSOCIATION APPRECIATES THIS OPPORTUNITY TO EXPLAIN SOME OF THE CRITICAL CHALLENGES AND OPPORTUNITIES SHARED BY THE SMALL, RURAL SCHOOL DISTRICTS OF THIS STATE. OUR MEMBER SCHOOL BOARDS NUMBER NEARLY 750, AND ABOUT 350 OF THEM SERVE WHAT ARE GENERALLY CONSIDERED RURAL DISTRICTS.

WHETHER RURAL STATUS IS MEASURED BY POPULATION DENSITY, ENROLLMENT SIZE, TYPE OF ECONOMY, OR COMMUNITY VALUES AND SELF-PERCEPTIONS, IT CREATES A UNIQUE AWARENESS AMONG ITS POSSESSORS. THE ADVANTAGE OF BEING RURALLY AWARE IS THAT IT ALERTS US TO UNTYPICAL AND OFTEN INNOVATIVE WAYS TO BUILD COOPERATION AMONG ALL TYPES OF SCHOOLS AND COMMUNITIES; ON THE OTHER HAND, OVEREMPHASIZING RURALNESS CAN LEAD TO ISOLATION, A RURAL-US VERSUS AN URBAN-THEM ATTITUDE.

OUR ASSOCIATION SERVES ITS MEMBERSHIP MOST EFFECTIVELY WHEN IT STRESSES A THEME OF UNITY AND COMMON CONCERN AMONG ALL SCHOOL DISTRICT CONSTITUENCIES. SEVERAL OF THE IDEAS I PRESENT TO YOU TODAY WILL ILLUSTRATE THIS THEME. WE HOPE THESE IDEAS MAY INSPIRE FEDERAL STRATEGIES NOT ONLY TO HELP CITIES, SUBURBS, AND RURAL COMMUNITIES LEARN FROM ONE ANOTHER, BUT ALSO TO HELP RURAL PUBLIC SCHOOLS BETTER MEET THE LONG-RANGE, COMMUNITYWIDE NEEDS OF THEIR ENVIRONMENTS.

CONDITIONS OF STRESS IN RURAL COMMUNITIES

ECONOMIC DISTRESS IS WIDESPREAD AMONG SMALL, RURAL COMMUNITIES ACROSS THE NATION, AND CERTAINLY IN NEW YORK STATE. A COMBINATION OF FACTORS HAS CAUSED THIS. THEY INCLUDE PERVASIVE OUTMIGRATION FROM RURAL AREAS DURING THE 1980S, IN PARTICULAR FOR YOUNG ADULTS AND THE BETTER EDUCATED, IN OTHER WORDS THOSE PERHAPS MOST NEEDED TO REVITALIZE RURAL ECONOMIES.

ANOTHER CAUSE OF DISTRESS HAS BEEN HEAVY UNEMPLOYMENT. ACCORDING TO THE U.S. BUREAU OF LABOR STATISTICS, IN 1986 THE UNEMPLOYMENT RATE FOR THE LABOR FORCE IN RURAL AREAS WAS 26 PERCENT HIGHER THAN THAT FOR URBAN AREAS. AS OUR ECONOMIC BASE IN NEW YORK HAS SHIFTED TOWARD PRIVATE AND PUBLIC SERVICES, AND AWAY FROM SUCH RURAL ECONOMIC MAINSTAYS AS MANUFACTURING AND AGRICULTURE, THE IMPACT ON RURAL WORKERS HAS BEEN DEVASTATING.

AS AN OUTGROWTH OF OUR ECONOMIC GROUND SHIFTS, RURAL COMMUNITIES HAVE FELT THE EFFECTS OF FALLING INCOMES AND INCREASING POVERTY. TWENTY-TWO OF NEW YORK'S 62 COUNTIES HAVE LOWER PER CAPITA INCOMES AS WELL AS HIGHER PERCENTAGES OF PEOPLE LIVING BELOW THE POVERTY LEVEL THAN THE NATIONAL AVERAGES. ALL BUT TWO OF THESE HARD PRESSED COUNTIES ARE RURAL (G. SCOTT THOMAS, EMPIRE STATE REPORT, MARCH 1989).

ECONOMIC DISADVANTAGES PRODUCE SOCIAL ILL EFFECTS. ANALYSES PUBLISHED BY THE NEW YORK STATE LEGISLATIVE COMMISSION ON RURAL RESOURCES CONFIRM INCREASING RATES OF SUICIDES, HOMICIDES, MARITAL DISRUPTIONS, AND SELF-ABUSE DURING THE 1980S IN RURAL LOCATIONS. AS JUST ONE ILLUSTRATION, IN EIGHT OF THE 20 POOR RURAL COUNTIES OF THIS STATE, THE PROPORTION OF BABIES BORN TO TEEN-AGED MOTHERS IS HIGHER THAN THE NATIONAL AVERAGE OF 13 PERCENT.

THE EDUCATIONAL IMPACT OF ECONOMIC DISTRESS

WILLIAM P. O'HARE, IN A 1988 REPORT ON THE RISE OF POVERTY IN RURAL AMERICA, NOTES THAT YOUNG ADULTS AND CHILDREN HAVE BEEN THE PRIMARY VICTIMS OF OF AN OVERALL 29 PERCENT INCREASE IN THE RURAL POVERTY RATE BETWEEN 1979 AND 1986. DURING THIS PERIOD, THE RATE

OF INCREASE FOR YOUNG ADULTS, AGED 18 TO 44, WAS 55 PERCENT, WHILE FOR CHILDREN UNDER AGE 18 IT WAS 39 PERCENT. BY 1987, WRITES O'HARE, MORE THAN ONE OF FIVE RURAL FAMILIES WERE LIVING BELOW THE POVERTY LEVEL. MOREOVER, THE POVERTY RATE AMONG RURAL CHILDREN WAS ONE-THIRD HIGHER THAN THAT FOR CHILDREN IN URBAN AREAS.

THE EDUCATIONAL IMPLICATIONS OF THESE STATISTICS AND TRENDS ARE ALARMING. WHEN CHILDREN FALL VICTIM TO POVERTY, THE CIRCUMSTANCES FOR EFFECTIVELY EDUCATING THEM ARE MADE MORE DIFFICULT IRRESPECTIVE OF THE QUALITY OR BREADTH OF EDUCATIONAL PROGRAMS AVAILABLE. HIGH UNEMPLOYMENT AMONG YOUNG FAMILIES -- THOSE APT TO HAVE SCHOOL-AGED CHILDREN -- PROMOTES INSTABILITY IN BOTH THE LIVING ENVIRONMENT OF THE FAMILY AND THE LEARNING ENVIRONMENT OF THE CHILDREN. IT ALSO DISCOURAGES THE BEST EDUCATED INDIVIDUALS FROM STAYING IN OR RETURNING TO THE COMMUNITY TO INVEST EFFORT IN THE LOCAL ECONOMIC AND EDUCATIONAL FUTURE. INDEED, MICHAEL DEAVERS, DIRECTOR OF THE AGRICULTURE AND RURAL ECONOMY DIVISION AT THE U.S. DEPARTMENT OF AGRICULTURE, HAS USED VARIOUS FEDERAL DATA TO SHOW THAT THE MORE EDUCATED A PERSON BECOMES, THE GREATER THE COST IN LIFETIME EARNINGS FOR THAT PERSON IF HE OR SHE STAYS IN A RURAL SETTING; FOR COLLEGE GRADUATES THIS REPRESENTS A 40 PERCENT INCOME LOSS OVER ONE'S LIFETIME. UNDERSTANDABLY, THEREFORE, IN 18 OF THE 20 UPSTATE, DISADVANTAGED COUNTIES THAT MAY BE CONSIDERED PRIMARILY RURAL, THE PERCENTAGE OF ADULTS WITH COLLEGE DEGREES IS LOWER THAN THE NATIONAL AVERAGE OF 16.2 PERCENT.

INTERCONNECTIONS: SCHOOL, HOME, AND COMMUNITY

A 1988 REPORT BY THE WILLIAM T. GRANT FOUNDATION ENTITLED THE FORGOTTEN HALF VERIFIES FOR A LARGE SEGMENT OF AMERICA'S YOUNG

POPULATION WHAT HAS ALREADY BEEN BORNE OUT BY YOUNG FAMILIES LIVING IN RURAL AREAS. THE INSTITUTION OF THE YOUNG FAMILY, STATES THE GRANT REPORT, HAS GROWN "DANGEROUSLY UNSTABLE, BESIEGED BY SHRINKING RATES OF MARRIAGE, HIGH RATES OF SINGLE-PARENT HOUSEHOLDS AND ABSENTEE FATHERS, AND INCREASING POVERTY."

AMONG THE REPORT'S RECOMMENDED SOLUTIONS ARE MANY WITH SPECIAL MEANING IN RURAL SETTINGS AND DIRECT RELEVANCE FOR YOUR PLANS TO PROPOSE COMPREHENSIVE RURAL DEVELOPMENT LEGISLATION. NO ASPECT OF A YOUNG PERSON'S LIFE EXPERIENCES CAN BE ISOLATED FROM OTHER ASPECTS IF A POSITIVE DIFFERENCE IS THE AIM. TRYING TO SET CONDITIONS FOR SCHOOL SUCCESS, FOR EXAMPLE, WILL NOT WORK WELL UNLESS THERE ARE COMPLEMENTARY EFFORTS WITHIN THE STUDENTS' FAMILIES, HOMES, AND THE ENTIRE COMMUNITY. TO NURTURE INTERCONNECTED SUCCESS, THEREFORE, ALL YOUNG PEOPLE NEED MORE CONSTRUCTIVE CONTACT WITH ADULTS WHO CAN GUIDE AND INSPIRE THEM, MORE OPPORTUNITY TO JOIN COMMUNITY ACTIVITIES AND THUS SERVE, INDIVIDUALIZED HELP WITH LEARNING AND SOCIAL PROBLEMS -- OFTEN GIVEN BY COMMUNITY-BASED SOURCES OUTSIDE THE SCHOOL -- AND SATISFYING INITIAL JOBS THAT SHOW PROMISE IN LEADING TOWARD A CAREER. ALL OF THESE POINTS FROM THE GRANT REPORT ESPECIALLY BEFIT SMALL AND RURAL COMMUNITIES.

THE FORGOTTEN HALF CONCENTRATES ON THE PLIGHT OF NON-COLLEGE BOUND STUDENTS: MORE AND MORE THEY "NOW FALL BETWEEN THE CRACKS WHEN THEY ARE IN SCHOOL, DROP OUT, OR GRADUATE INADEQUATELY PREPARED FOR THE REQUIREMENTS OF THE SOCIETY AND THE WORK PLACE."

CONCERNED ABOUT THIS PARTICULAR GROUP, OUR BOARD OF REGENTS RECENTLY ADOPTED A POLICY CALLING FOR ALL STUDENTS WHO GRADUATE

FROM OUR SCHOOLS TO BE PREPARED ADEQUATELY EITHER FOR IMMEDIATE, PRODUCTIVE EMPLOYMENT, OR FOR POSTSECONDARY EDUCATION, OR FOR BOTH. OUR ASSOCIATION SERVES ON A TASK FORCE CHARGED WITH DEFINING THE GOALS AND STANDARDS FOR IMPLEMENTING THE POLICY. IT IS NO EASY TASK TO CLEAR AWAY OUR INSTITUTIONAL BIASES AND GRASP THE SPECIFICS OF THIS CHARGE. NONETHELESS, THE EFFORT IS URGENTLY NEEDED TO ENSURE THE SOCIAL AND ECONOMIC SURVIVABILITY OF OUR YOUNG POPULATION. I AM ESPECIALLY CONCERNED ABOUT THOSE STUDENTS WHO DECIDED NOT TO GO TO COLLEGE, AND FOR WHOM THERE IS WOEFULLY INADEQUATE PUBLIC FUNDING AVAILABLE FOR TRAINING AND EMPLOYMENT PREPARATION PROGRAMS. OUR ASSOCIATION SHORTLY WILL PUBLISHED A PERTINENT POSITION PAPER ON THESE TOPICS ENTITLED STUDENT LITERACY. I WOULD BE PLEASED TO SEND A COPY TO YOU BECAUSE IT CONTAINS A COMPLETE MENU OF RECOMMENDATIONS FOR ALL LEVELS OF GOVERNMENT.

SCHOOL-COMMUNITY RELATIONSHIPS

FOUR COMMUNITY-ORIENTED EDUCATIONAL PROGRAMS THAT ARE GAINING MOMENTUM IN NEW YORK STATE -- LOGICAL EXTENSIONS OF IDEAS ADVOCATED IN THE FORGOTTEN HALF -- ARE WORTHY OF YOUR ATTENTION. LET ME DESCRIBE EACH OF THEM BRIEFLY.

A. COMMUNITY SCHOOLS PROGRAM

ALSO KNOWN AS THE SCHOOLS AS COMMUNITY SITES PROGRAM, THIS SET OF PILOT PROJECTS IS DESIGNED TO HELP URBAN AND RURAL COMMUNITIES COORDINATE HUMAN SERVICES DELIVERY AND ECONOMIC DEVELOPMENT THROUGH THE SCHOOLS. FOR THE COMING YEAR, THE GOVERNOR AND LEGISLATURE HAVE APPROPRIATED $4 MILLION TO ASSIST 20 SCHOOLS. EACH WILL BECOME A BASE FOR PROVIDING A WIDE RANGE OF INSTRUCTIONAL, SOCIAL,

HEALTH, AND RECREATIONAL SUPPORT SERVICES FOR STUDENTS AND THEIR COMMUNITIES. THE SCHOOLS WILL BECOME PILOT SITES TO TEST NEW WAYS TO OPERATE AS A HUB FOR ALL SERVICES REQUIRED TO IMPROVE STUDENT PERFORMANCE IN DISTRESSED COMMUNITIES.

AN ARRAY OF TRIAL ACTIVITIES IS UNDER WAY IN THE 14 PILOT SCHOOLS THUS FAR INVOLVED. EXTENDED DAY, WEEK, AND YEAR SCHEDULING ARE CENTRAL TO THE CONCEPTION. SERVICES INCLUDE BASIC INSTRUCTION, HOMEWORK ASSISTANCE, TUTORING, MENTORING, RELATED ENRICHMENT ACTIVITIES, DAY CARE AND LATCH KEY SERVICES, AS WELL AS A GREAT VARIETY OF SOCIAL AND HEALTH RELATED SERVICES. THE EXTENT OF COMMUNITY SERVICE NETWORKING WITH LOCAL AGENCIES AND BUSINESSES SEEMS ESPECIALLY EXCITING.

ALTHOUGH THIS IS NO NEW IDEA AT THE FEDERAL LEVEL -- IT WAS INTRODUCED, FOR EXAMPLE, IN THE COMMUNITY SCHOOL PROVISIONS OF THE ESEA IN 1965 -- NO FEDERAL FUNDING SOURCE, ACCORDING TO OUR STATE EDUCATION DEPARTMENT, IS AVAILABLE TO DEFRAY THE COST OF DEVELOPING SCHOOL-BASED COMMUNITY SITE SYSTEMS. WE JOIN THE BOARD OF REGENTS IN CALLING FOR CONGRESS TO ESTABLISH AN INCENTIVE PROGRAM FOR STATE AND LOCALITIES TO COORDINATE RELEVANT ACTIVITIES AND TO SUPPORT LIMITED DIRECT SERVICES WHERE APPROPRIATE.

B. YOUTH COMMUNITY SERVICE

A SECOND PROGRAM AREA, YOUTH COMMUNITY SERVICE, NOT ONLY HAS POTENTIAL TO COMBAT YOUTH UNEMPLOYMENT, BUT CAN INSTILL POSITIVE CIVIC VALUES, COMMUNITY COMMITMENT, AND LEARNING SKILLS. APPROPRIATE AREAS OF SERVICE INCLUDE: (1) HELPING PEOPLE IN NEED OF SPECIAL ASSISTANCE SUCH AS THOSE WITH HANDICAPPING CONDITIONS,

THE AGED, AND SINGLE PARENTS AND THEIR CHILDREN; (2) MAINTAINING OR IMPROVING THE ENVIRONMENT -- SCHOOL AND NEIGHBORHOOD CLEANUP CAMPAIGNS, FOR EXAMPLE; (3) FURTHER CIVIC PARTICIPATION AND KNOWLEDGE -- VOTER REGISTRATION, SURVEYS, AND POLLS ARE ILLUSTRATIVE; AND (4) SERVICE TO THE SCHOOLS, WITH EXAMPLES RANGING FROM TUTORING TO MAINTAINING AUDIOVISUAL EQUIPMENT.

THERE IS NO COMPREHENSIVE OR STATEWIDE YOUTH SERVICE PROGRAM IN NEW YORK STATE AT PRESENT. ALLIED WITH THE NATIONAL SCHOOL BOARDS ASSOCIATION, WE BELIEVE THIS REPRESENTS A PROMISING LEGISLATIVE DIRECTION. HOWEVER, WE CAUTION THAT THERE SHOULD BE ENOUGH FLEXIBILITY IN ANY FEDERAL PROGRAM SO THAT COMMUNITIES AND SCHOOLS CAN SET UP PROGRAMS THAT FIT THEIR PARTICULAR NEEDS AND CAPACITIES. MORE BACKGROUND ON THIS TOPIC IS CONTAINED IN THE YOUTH SERVICE THEMATIC ISSUE OF OUR MONTHLY JOURNAL FOR AUGUST. I AM PLEASED TO SUPPLY A COPY OF THIS ISSUE WITH EACH COPY OF OUR TESTIMONY.

C. RURAL SCHOOLS AND ECONOMIC DEVELOPMENT

NO LONGER IS IT SUFFICIENT FOR CHAMBER OF COMMERCE REPRESENTATIVES TO BRAG ABOUT OR TO CRITICIZE THE LOCAL SCHOOLS WHEN DRIVING BY IS AS CLOSE AS THEY HAVE COME TO A PERSONAL VISIT. NOR IS IS ANY LONGER APPROPRIATE FOR LOCAL SCHOOL BOARDS NOT TO HAVE CONTINUING CONTACT, PREFERABLY FACE-TO-FACE, WITH ORGANIZATIONS THAT REPRESENT THE LOCAL BUSINESS COMMUNITY AS WELL AS OTHER LEADERS IN LOCAL GOVERNMENT.

EVERY COMMUNITY SHOULD FORMALLY ENCOURAGE SCHOOL OFFICIALS TO MEET ROUTINELY WITH THE CHAMBER OF COMMERCE. THESE OFFICIALS SHOULD CONFIRM THAT GOOD SCHOOLS ARE MORE THAN A SYMBOL OF

COMMUNITY VITALITY AND PRIDE. THEY CAN SERVE AS AN IMPORTANT SOURCE OF ECONOMIC SUPPORT. SCHOOL CURRICULUM AND PROGRAMMING SHOULD RESPOND DIRECTLY TO THE NEED FOR ENTREPRENEURIAL SKILLS SO THAT MORE NEW BUSINESS ENTERPRISE CAN BE GROWN LOCALLY.

THERE ARE OBSTACLES, OF COURSE: THE ATTITUDE THAT SCHOOL IS NOT THE "REAL WORLD," THE FACT THAT SOME 70 PERCENT OF ADULTS NO LONGER HAVE ANY CHILDREN IN SCHOOL, AND AS ALREADY SUGGESTED, FEW NATURAL FORUMS FOR MIXING BUSINESS AND EDUCATION LEADERS.

NEVERTHELESS, COUNTRYWIDE THERE ARE MANY WONDERFULLY INNOVATIVE AND PRODUCTIVE EXAMPLES OF ECONOMIC DEVELOPMENT PROJECTS PARTNERED WITH RURAL SCHOOLS. THE FAMOUS FOXFIRE BOOKS, INSPIRED BY THE TEACHING OF ELIOT WIGGINTON IN SOUTHERN APPALACHIA DURING THE MID-60S, IS A PARADIGM. ANOTHER EXAMPLE, A GREENHOUSE PROJECT FOUND IN NEW YORK'S BROOME COUNTY DEPOSIT SCHOOL DISTRICT, IS DESCRIBED IN AN APPENDIX TO THIS TESTIMONY.

MANY MORE EXAMPLES HAVE BEEN DISCOVERED AND PROFILED BY DR. VICKI LUTHER AND MILAN WALL, CO-DIRECTORS OF THE HEARTLAND CENTER FOR LEADERSHIP DEVELOPMENT IN LINCOLN, NEBRASKA. BASED ON ITS CASE STUDIES, THE HEARTLAND CENTER HAS DEVELOPED AN EXPERIENCE-TESTED SET OF STRATEGIES FOR STRENGTHENING CONNECTIONS BETWEEN RURAL SCHOOLS AND THEIR COMMUNITIES' ECONOMIC WELFARE.

IN ADDITION TO JOINT COMMITTEE MEETINGS AND MEMBERSHIPS INVOLVING EDUCATORS AND MEMBERS OF THE CHAMBER OF COMMERCE, THE STRATEGIES INCORPORATE: ECONOMIC SURVEYS BY SCHOOL CLASSES, CAREER AWARENESS DAYS, TEACHER-BUSINESS EXCHANGES, FORMAL ENTREPRENEURSHIP EDUCATION, USING SCHOOL FACILITIES AS INCUBATORS FOR SMALL BUSINESS, SCHOOL-BASED BUSINESS ENTERPRISES, JOINT ECONOMIC

DEVELOPMENT PLANNING, AND PUBLIC-PRIVATE PARTNERSHIPS FOR LEADERSHIP DEVELOPMENT INTENDED TO EXPAND LOCAL CAPACITY AND NURTURE LOCAL RESOURCES CRITICAL TO ECONOMIC SURVIVAL.

WE ENCOURAGE YOU TO INCLUDE IN YOUR RURAL DEVELOPMENT LEGISLATION THE FINANCIAL AND PROGRAM INCENTIVES TO HELP TEST THESE STRATEGIES IN A VARIETY OF RURAL SETTINGS.

D. EARLY CHILDHOOD SERVICES

AS STATISTICS CITED EARLIER SUGGEST, SMALL AND RURAL COMMUNITIES EXPERIENCE MANY HIGH RISK CONDITIONS FOR CHILDREN AND YOUTH THAT WERE ONCE THOUGHT PREVALENT ONLY IN MAJOR CITIES. RESEARCH POINTS TO A DANGEROUS INTERGENERATIONAL EFFECT. IN SHORT, PARENTS MAY PASS ON TO THEIR CHILDREN THE SAME VALUES OR HABITS THAT PROMPTED THEM TO STOP SHORT OF FINISHING SCHOOL. TO BREAK THIS CYCLE, EDUCATORS HAVE FOUND THAT EARLY INTERVENTION IS ESPECIALLY EFFECTIVE.

EARLY CHILDHOOD EDUCATION STANDS OUT AS A METHOD. OUR ASSOCIATION ADVOCATES A MAJOR, PHASED-IN EXPANSION OF EARLY CHILDHOOD SERVICES, RELYING ON BOTH FEDERAL AND STATE FINANCIAL SUPPORTS. WE BELIEVE THAT PUBLIC SCHOOLS ARE THE LOGICAL VEHICLE FOR SERVICE DELIVERY BECAUSE, AMONG OTHER REASONS, THEY ARE PUBLICLY ACCOUNTABLE AND HAVE THE WHEREWITHAL TO DO THE JOB WELL. IF THE CHILD CARE COMPONENT OF A PROGRAM IS NOT AVAILABLE THROUGH THE SCHOOL, THEN SCHOOL OFFICIALS SHOULD BE PERMITTED TO CONTRACT FOR IT IN ORDER TO BE ABLE TO OFFER FULL-DAY SUPPORT. COORDINATED ASSESSMENTS OF NEEDS AND CAPABILITIES WITHIN EACH COMMUNITY ARE OBVIOUSLY NEEDED.

YOUR ATTENTION TO THIS MATTER IS URGENTLY NEEDED. ALONG WITH THE STATE SCHOOL BOARDS ASSOCIATIONS OF TEXAS, CALIFORNIA, AND NEW JERSEY, WE HAVE CALLED FOR FEDERAL LEGISLATION THAT WOULD ACCOMPLISH, AMONG OTHER THINGS, THE FOLLOWING: (1) FACILITATION OF COORDINATING EARLY CHILDHOOD SUPPORT SERVICES, INCLUDING HEALTH, NUTRITION, FAMILY SUPPORT, AND INVOLVEMENT; (2) TARGETING ECONOMICALLY DISADVANTAGED CHILDREN; (3) REQUIRING THE USE OF QUALIFIED PERSONNEL; (4) CENTRALIZED ADMINISTRATION OF EARLY CHILDHOOD PROGRAMS IN PUBLIC SCHOOLS (ONLY PUBLIC SCHOOLS SHOULD BE PERMITTED TO APPLY FOR FEDERAL FUNDS FOR EARLY CHILDHOOD EDUCATION); AND (5) REQUIREMENTS FOR MEANINGFUL PARENTAL INVOLVEMENT.

SELECTED ADDITIONAL PRIORITIES

BRIEFLY, I WANT TO TARGET THREE ADDITIONAL PROGRAMMATIC PRIORITIES THAT SHOULD BE CONSIDERED IN CONTEXT WITH YOUR PROPOSALS FOR RURAL DEVELOPMENTAL LEGISLATION. THESE ARE RESEARCH, STAFFING, AND TECHNOLOGY.

A. RESEARCH

MUCH OF THE RESEARCH DIRECTED TOWARD RURAL EDUCATIONAL ISSUES HAS HAD SERIOUS DRAWBACKS. CONNECTIONS BETWEEN IDEAS AND PRACTICE HAVE BEEN WEAK OR MESSY. THERE HAS BEEN TOO LITTLE RESEARCH-BASED AWARENESS OF RURAL CULTURE AND COMMUNITY TRADITIONS, AND THESE INFLUENCE CHANGE. MOST STUDIES HAVE BEEN SNAPSHOTS, NOT LONGITUDINAL PICTURES. AND EVALUATION PLANS HAVE SELDOM BEEN BUILT INTO THE RESEARCH.

WE ARE ENCOURAGED BY PLANS SET FORTH BY CORNELL UNIVERSITY SCHOLARS TO CREATE A STATE OFFICE FOR RURAL SCHOOL RESEARCH.

INDEED, OUR ASSOCIATION HAS A SPECIAL REASON FOR INTEREST IN THIS BECAUSE SCHOOL BOARDS ASSOCIATION STAFF PLANNED AND CONDUCTED THE FIRST NATIONAL RURAL EDUCATIONAL RESEARCH FORUM TWO YEARS AGO AT LAKE PLACID, IN CONJUNCTION WITH ANNUAL CONFERENCE OF THE NATIONAL RURAL EDUCATION ASSOCIATION. THE U.S. DEPARTMENT OF EDUCATION SERVED AS A CO-SPONSOR.

THE ROLE OF RESEARCH IN RURAL EDUCATION POLICY DEVELOPMENT IS CRUCIALLY FUNDAMENTAL. THE ESSENTIAL FEATURES OF THIS ROLE INCLUDE A BROADLY REPRESENTATIVE PANEL OF INDIVIDUALS TO IDENTIFY CRITICAL PROBLEMS, A TEAM OF UNIVERSITY OR COLLEGE BASED SCHOLARS TO PROVIDE THE RESEARCH NEEDED TO SOLVE THOSE PROBLEMS, AND FUNDING AND GOVERNANCE MECHANISMS. WE URGE YOU TO CONSIDER THE MERITS OF INCLUDING A CLEARLY RECOGNIZABLE AND MAINTAINABLE RESEARCH COMPONENT FOR ANY RURAL DEVELOPMENT LEGISLATION YOU PROPOSE.

B. STAFFING

TOWARD THE BEGINNING THIS THIS TESTIMONY, I MENTIONED THE PROBLEM OF WELL-EDUCATED PEOPLE BEING TEMPTED TO MOVE AWAY FROM RURAL AREAS BECAUSE OF HIGHER SALARIES AND OTHER ENTICEMENTS FOUND IN SUBURBS AND CITIES. WHERE SCHOOL TEACHERS ARE CONCERNED, THIS HAS BECOME A SERIOUS PROBLEM.

TWO YEARS AGO, OUR ASSOCIATION CONDUCTED A STUDY OF RECRUITMENT AND RETENTION OF QUALITY TEACHERS IN SMALL AND RURAL NEW YORK STATE SCHOOL DISTRICTS. SURVEYING BOTH SUPERINTENDENTS AND EXPERIENCED TEACHERS, WE FOUND OUT THAT 55 PERCENT OF THE SUPERINTENDENTS FACED RISING ELEMENTARY SCHOOL ENROLLMENT, 61 PERCENT WERE HAVING DIFFICULTY FILLING POSITIONS, 84 PERCENT WERE STRUGGLING WITH AN INSUFFICIENT NUMBER OF APPLICANTS, AND 68 WERE

HAVING DIFFICULTY FINDING APPLICANTS WITH APPROPRIATE CERTIFICATION -- A PROBLEM INTENSIFIED BY RURAL DISTRICTS' NEED FOR INDIVIDUALS WITH MULTIPLE CERTIFICATES.

THOUGH SUCH PROBLEMS AS UNCOMPETITIVE SALARIES, UNAFFORDABLE HOUSING, AND LACK OF SOCIAL LIFE ADMITTEDLY WERE PROBLEMS IN RECRUITMENT, MANY SUPERINTENDENTS STRESSED THAT RURAL TEACHING UNFAIRLY SUFFERS FROM STEREOTYPING AND LACK OF VISIBILITY. THERE ARE GOOD FEATURES INDEED IN RURAL SCHOOL EMPLOYMENT, INCLUDING QUALITY OF LIFE, A SENSE OF COMMUNITY BELONGING, COLLEGIALITY, AND A RELAXED ATMOSPHERE. AS ONE RESPONDENT POINTED OUT, THE KEY IS A FIT BETWEEN THE TEACHER'S VALUES AND RURAL LIFE.

INTERESTINGLY, HAVING A FAMILY IN THE AREA, AND VIEWING THE COMMUNITY AS A GOOD PLACE TO RAISE A FAMILY, AND HAVING GROWN UP IN THE AREA WERE KEY ATTRACTIONS FOR RESPONDING TEACHERS' CURRENT POSITIONS. ONE LESSON FROM OUR STUDY IS THAT A RURAL COMMUNITY'S FUTURE TEACHERS MAY WELL BE FOUND IN THAT COMMUNITY'S HIGH SCHOOL -- AS STUDENTS THIS YEAR!

IN KEEPING WITH OUR STUDY, WE URGE YOU TO BUILD INTO YOUR PROPOSALS THE NOTION OF A TEACHER CORPS. IN OTHER WORDS, SEEK PROVISIONS THAT WILL ENCOURAGE STUDENTS TO ENTER THE PROFESSION OF TEACHING WITH GUARANTEED SUPPORT IN THEIR PREPARATION FROM FELLOWSHIPS AND SCHOLARSHIPS. SPECIAL PRIORITY SHOULD BE GIVEN TO ATTRACTING MINORITY INDIVIDUALS TO TEACHING AND TO RETAINING SUCH INDIVIDUALS IN TEACHING POSITIONS WHERE THEY OFTEN ARE LEAST APT TO BE FOUND, YET MAY BE MOST NEEDED: IN RURAL AND SMALL SCHOOL DISTRICTS.

C. TECHNOLOGY

THE TOPIC OF TECHNOLOGY REALLY DESERVES ITS OWN SEPARATE PIECE OF TESTIMONY. HERE I WISH SIMPLY TO UNDERSCORE ITS IMPORTANCE IN THE FUTURE OF RURAL EDUCATION. DISTANCE LEARNING, ALONG WITH MANY OTHER NEW TECHNOLOGY-BASED METHODS, IS OPENING OPPORTUNITIES TO RURAL CHILDREN THAT WELL DESERVE TO BE PERPETUATED THROUGH FEDERAL FUNDING. COMPUTERS AND RELATED TECHNOLOGIES, HOWEVER, ARE EXPENSIVE; ACQUISITION SHOULD BE PLANNED CAREFULLY, IN ACCORD WITH A COMPREHENSIVE PLAN THAT RELIES ON DISTRICT EDUCATIONAL GOALS AND ASSESSMENTS OF RELATIVE COST EFFECTIVENESS.

IN A RECENT POSITION PAPER, INSTRUCTIONAL TECHNOLOGY: POLICIES AND PLANS, OUR ASSOCIATION HAS ADVANCED A SERIES OF RECOMMENDATIONS SPEARHEADED BY AWARENESS OF THE NEED FOR ASSISTANCE IN PLANNING AND COORDINATING THE APPLICATION OF TECHNOLOGY THROUGHOUT A DISTRICT. WE WOULD BE HAPPY TO SHARE THIS PAPER WITH YOU AND WOULD URGE THAT ITS KEY POINTS BE UTILIZED AS A RESOURCE IN PUTTING TOGETHER YOUR PROPOSALS.

FLEXIBILITY AND INTEGRATION OF EFFORT

HERE IN NEW YORK STATE WE ARE FIVE YEARS INTO AN ERA OF EDUCATIONAL REFORMS ENCOMPASSED BY A BOARD OF REGENTS ACTION PLAN. THAT PLAN HAS ACCOMPLISHED MANY OF ITS INTENDED GOALS, CLEARLY CHALLENGING SCHOOL DISTRICTS TO RAISE AND SUSTAIN EDUCATIONALLY SOLID MINIMUM STANDARDS.

AS HAS BEEN TRUE FOR MANY OTHER STATES, THE FIRST PHASE OF REFORM IN THE 1980S HAS PRESSED MANY RURAL AND SMALL DISTRICTS HARD. THIS HAS BEEN ESPECIALLY TRUE WHERE NEW COURSE REQUIREMENTS -- TWO YEARS OF FOREIGN LANGUAGE INSTRUCTION BEFORE THE END OF

GRADE NINE, FOR EXAMPLE -- HAVE BEEN IMPOSED IN SITUATIONS WHERE STAFFING HAS BEEN VERY HARD TO FIND.

NOW WE ARE ENTERING A NEW PHASE OF REFORM, ONE THAT PLACES MORE STOCK IN OUTCOMES THAN IN PROCEDURES. OUR REGENTS AND COMMISSIONER TOM SOBOL HAVE ADVANCED A NEW PLAN FOR EXCELLENCE AND ACCOUNTABILITY THAT RELIES UPON LOCAL SCHOOL BOARDS, WORKING PARTICIPATIVELY WITH COMMUNITY AND SCHOOL PUBLICS, TO GENERATE BUILDING LEVEL AND DISTRICTWIDE GOALS -- AS WELL AS THE LONG-RANGE PLANS TO MEET THOSE GOALS. THOUGH STILL IN A PILOT MODE, THIS NEW SYSTEM PROMISES TO PRODUCE PLANNING MODELS THAT SHOULD BE REVIEWED CAREFULLY AT THE FEDERAL LEVEL. WE ARE CONVINCED THAT FUTURE FEDERAL LEGISLATION SHOULD RELY HEAVILY ON THE COOPERATIVE WILLINGNESS OF SCHOOLS AND COMMUNITIES TO PLAN THEIR OWN EDUCATIONAL DESTINIES WITHOUT EXCESSIVE FEDERAL OR STATE PROCEDURAL INTERFERENCE. THIS POINT IS UNDERSCORED IN A 1989 REPORT ON THE FEDERAL ROLE IN EDUCATION, PUBLISHED BY THE ROCHESTER-BASED NATIONAL CENTER ON EDUCATION AND THE ECONOMY:

> THE AIM OF FEDERAL POLICY SHOULD BE TO CREATE THE CONDITIONS UNDER WHICH LOCAL PEOPLE HAVE STRONG INCENTIVES TO MEET THE NEEDS OF STUDENTS AND MAXIMUM FREEDOM TO FIGURE OUT HOW TO PRODUCE THOSE RESULTS.

MAY THIS IDEA SERVE AS AN INSPIRATION FOR YOUR FUTURE PROPOSALS. THE STATE SCHOOL BOARDS ASSOCIATION STANDS READY TO ASSIST AT ANY STAGE OF YOUR ENDEAVOR. THANK YOU FOR THIS OPPORTUNITY AND YOUR RURAL LEADERSHIP.

(Attachments follow:)

APPENDIX

STUDENT LEARNING FAIR
"The Greenhouse Program: Student Business" (Deposit High School)
By Jeffrey M. Bowen

What did it take to begin? Ten geraniums and some seeds, 12 students (from a student body of 300 in grades 9-12), an inspired biology teachers, a Cornell University guide to building greenhouses, and about $500 for supplies. The result? A highly successful educational and entrepreneurial experience in horticulture for students at Deposit Central School.

As described by teacher William McCann and several Deposit graduates who had participated in the program since its 1985 beginning, the program provides a money and time saving alternative to BOCES. Twenty-one students now participate. Three and one credit versions of horticulture class are offered.

The focus of activity is a 48 x 26 foot greenhouse, constructed by the students beyond the high school playing field at the back of the school. A film documents the entire construction.

Students are responsible for individual plant section; they must check for insects and remove dead leaves every day. The state-inspected facility provides learning and earning opportunities, even for second graders who raised plants in the greenhouse earned $800 for sales. Most sales are to distributors so as to avoid competing with commercial enterprises. Flower beds from the greenhouse decorate parts of town and the high school. There is virtually no vandalism. Students operate the computers that record all transactions and supply water in proper quantities on schedule.

Two special ingredients have made the flowers of this project bloom: teacher McCann's patient rapport with his students, and the collective pride of the district. For Deposit, the students' greenhouse is a unique mark of excellence -- and all the better, it produces beauty as well as practical learning.

NOTE: The above program was presented at the 1987 Annual Convention of the New York State School Boards Association, Albany, New York.

10/27/87

REGION
Democrat and Chronicle

YOUTHS GROWING UP BAD

The author of *Raising Good Children* says parents and educators must face the facts: A growing number of adolescents appear to be growing up as monsters. Story, 3B.

TUESDAY
SEPTEMBER 5, 1989
ROCHESTER
NEW YORK

Rural teachers in short supply

But area districts hire 1989-90 staff

By Bob Bickel
Democrat and Chronicle

Rural schools across the state are facing an increasing teacher shortage that is being blamed on a change in state rules on who can teach specialty subjects and a decreasing number of education majors in college.

A survey of 38 rural districts by the state School Boards Association found that 61 percent of superintendents reported difficulty filling teaching vacancies, 84 percent would have liked more applicants, and 68 percent had trouble finding applicants with necessary certifications.

Many of those surveyed deplored their districts' status as training centers for urban districts, where the pay is better and the pace of life faster.

With hiring completed for the school year that starts this week, the problem appears to be under control this year in the 10-county Rochester area — although there are soft spots.

For example, Charles Carlton, superintendent at Canisteo Central School in Steuben County, had a "flood" of applications for elementary vacancies — but needed much luck to fill three other jobs. He got "very few" applications for a vacancy in English, found that home economics applicants "just weren't out there," and filled an industrial arts slot "at the 11th hour and 59th minute."

Superintendent David Paciencia of Mount Morris Central School filled two vacancies. "If there had been any more, we would have had trouble. There just don't seem to be that many qualified candidates anymore, and there are very few for the specialty subjects like math and science."

Wyoming Central School Superintendent Owen Bush had 86 applicants for a third-grade spot, but said "there is a problem" with specialty positions.

Yet Superintendent Charles Little, of Geneseo Central School, said he had no trouble at all. "We had more than 200 applications for our elementary school vacancies and a steady supply of English, social studies, physical education and arts applicants," he said. The school benefits from having the State University College at Geneseo and from being close to Rochester.

Superintendent Steven Morley, of Campbell Central School, also in Steuben County, was "amazed" that he had no difficulty in hiring. "We've been expecting it and expecting it, but we just don't seem to have encountered it yet," he said.

"There is still a reasonably large pool of applicants out there, but a large number of our teachers are approaching retirement age and the teacher training institutions are not turning out the numbers any more," said Albert W. Hawk, vice president of the association that made the recruiting study. "I believe that in the next 20 years there are going to be a lot of people looking for teachers."

A developmental specialist at the Craig Developmental Disabilities Services Office

TURN TO PAGE 6B

1515

Rural teachers in short supply

FROM PAGE 1B

in Sonyea, Hawk could be the most knowledgeable lay advocate of rural education in the state.

The Dansville Central School board member has chaired the National School Boards Association's rural district forum steering committee, is a former vice chairman of the state Rural School Program, and has held committee posts for the National Rural Education Association.

One reason for the rural schools' problems in hiring are new regulations designed to boost teacher competency.

A teacher who was competent but not certified in a subject used to be able to teach a class in that subject if the district had no one else qualified to do it. The state Education Department's year-old rules now forbid this.

As a result, rural districts often have to hire teachers certified in more than one subject, because small schools have smaller classes. Yet finding teachers with multiple certifications is difficult — especially when urban and suburban schools pay higher salaries.

Charles E. Moore, newly installed superintendent of the Livingston-Steuben-Wyoming Supervisory District, called the elimination of incidental teaching "a big problem and a serious one."

Moore hasn't been in office long enough to assess his district's recruiting problems — but knows from his professional experience that they will be "of great concern."

Hawk and Moore both believe pooling of resources by the rural districts, especially in specialty subject teaching, holds out some hope and should be expanded. A "pooled" teacher teaches students from several districts in specialty subjects.

Through his association posts, Hawk is advocating strong efforts to turn the rural schools into cultural and social centers in their communities, and win a conscious effort by teacher-training schools to promote rural teaching.

"As a matter of course and at the very least, colleges should offer an orientation course in small-town teaching," said Hawk.

Rock
Rock

OF THE NEW YORK STATE SCHOOL BOARDS ASSOCIATION

EDPRESS

August 1989

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27 **VIEWPOINT: A schoolhouse melodrama (public not invited)** *by Al H. Nothem*

2 Commentary
4 Calendar
6 Forum

School districts are putting the idea of students contributing to the welfare of their schools and communities into practice throughout the state at all grade levels. This issue of the *JOURNAL* reports on this trend across the nation, examines the concept of youth service and investigates possible federal legislation associated with it. Our writers describe successful situations in which students help people in the community as well as each other in voluntary and required programs.

Eighth-grade pupils at Bronxville Middle School prepare lunches for Midnight Run for the Homeless, a community-sponsored project in which food, clothing and other necessities are regularly transported to homeless people in New York City (see the story on p. 19). Photo courtesy of Bronxville School.

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NO PHONE ORDERS

(The complete report is held in the committee files.)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
First Supervisory District of Monroe County
41 O'Connor Road Fairport, New York 14450
Joseph C. Farinola *District Superintendent*
716-377-4660

Monroe #1 Board of Cooperative Educational Services promotes agricultural education through a variety of programs at its 326-acre Rush Campus. This center includes a livestock barn, a stable, blacksmith shop, greenhouses, outdoor riding area, and nature center.

The educational shops and programs are designed to increase awareness of agricultural and conservation issues and job options for 100 full-time students and 1,000 transient students/adults.

Programs offered at the Rush Campus include six agriculturally oriented vocational education shops:

1) Farrier and Blacksmith
2) Equine Management
3) Livestock Management
4) Agricultural Mechanics
5) Agricultural Construction
6) Horticultural Sciences and Landscaping Management

These shops have been developed around four concepts:

1) agricultural safety
2) agricultural business management
3) work habits and attitudes needed to produce a cost-effective agricultural system
4) agriculture as a rewarding life skill needed to ensure a high quality of life in the United States

In addition to the vocational shop programs, Rush Campus hosts a Nature Center and a Down To Earth program. The Nature Center encourages a love of, and respect for, our land and animals. It also allows people to see first-hand the importance of the agro-ecosystem in our social life patterns.

The Down To Earth program, which is a modified version of Outward Bound and Project Adventure, includes a high ropes course, rappelling, and wall scaling. It builds confidence, teamwork and decision making by helping people find options to solve problems, not just in nature, but in life.

The main focus of Monroe #1 BOCES Rush Campus is education, the education of students. From an educational standpoint, we believe that the following steps should be implemented:

1) Develop and encourage more programs that combine theory with **hands-on** experience.

2) Exploit more learning opportunities **outside** the usual classroom and be prepared to award school credit for their successful completion.

3) Recognize and properly fund **existing** programs that produce optimum learning outcomes in a meaningful fashion on an **annual** basis.

4) Introduce students to as many facets of the wide and varied field of agriculture as feasibly possible in a school situation.

5) **Endorse, implement,** and **fund** agricultural school programs that provide a definite payback to the student and the program in the form of job placement and post-secondary education.

6) Provide learning facilities on a long-term basis (grants and deeds to properties), so that **comprehensive** programs can be taught **long term.**

7) Employ certified people to teach and administer these programs, while enabling prospective instructors with agricultual experience and time-tested achievement records to become an integral part of the educational process in an expedient fashion.

Not only do we have to deal with the problem educationally, we must also provide aid and support to young farmers:

1) Provide cheaper interest rates to young start-up operators for annual capital requirements
2) Reduce income tax rates for young farmers in start-up situations or levy no income tax on certain levels of net earnings
3) Establish a time-structured component upon which young farmers are able to measure solvency limits and operative feasibility
4) Provide programs to stress social fundamentals necessary to survive in agri-business
5) Provide programs to stress expectations from employers, as well as demands of individual enterprise
6) Provide programs to stress the absolute demand of environmental and conservation measures to insure survival of agriculture (effects on crops and livestock)
7) Exploit each and every market and export possibility and find new ones for processed agricultural products

The stigma of agriculture as a poor job must be changed to ensure a productive future for our nation. Monroe #1 BOCES is devoted and committed to educating school-age students and adults about the skills needed to achieve success in agro/business related fields.

We would like to thank you and your committee for giving us the opportunity to share our concerns and to alert you to the needs of our agricultural friends in the Western New York area.

Respectfully submitted,

Michael Robinson
Principal of Rush Campus

9/89

House Field Hearing
Rural Development
Le Roy, New York
September 11, 1989

Good Afternoon, Mr. Chairman, my name is Richard Moyle. I am General Manager of the Steuben Rural Electric Cooperative in Bath and Cherry Creek, New York. I am pleased to represent Steuben Rural Electric Cooperative at this hearing on rural development. Steuben Rural Electric Cooperative has served residential, farm and small business customers in rural New York for nearly 50 years.

At Steuben REC we have been developing and improving the quality of rural life by providing electricity at the lowest possible cost. We have also tested and promoted new electric appliances and automated facilities. Last year, we started providing TV service as part of the National Rural Telecommunications Cooperative's network.

Four Rural Electric cooperatives and nearly 40 Telephone cooperatives provide service to most of the rural counties in New York. These cooperatives provide the close personal link to the rural community that is required for economic development.

Many rural areas in New York have not participated in the past eight years of steady nationwide economic growth. Unemployment and underemployment is high. A recent Steuben Rural Electric Cooperative advertisement for a skilled job generated over 50

applications from people overqualified for their current jobs. Many were also overqualified for the position we had open. These people stay in Steuben County because, like most rural areas, it is a good place to live. But, this under-used workforce is an asset America can ill afford to waste in a competitive world.

Rural New York has many advantages for business: low labor costs, available workers willing to work hard, low land costs and low utility rates. Sadly, capital is in short supply and the infrastructure -- roads, bridges, educational opportunities -- needed to help business grow is seldom on a par with urban standards. Transition from an agricultural economy to a diversified economy based on farming, industry, service and natural resources has been hard. Industry retrenchment has hurt many of our small towns dependent on single industries.

Rural America, Rural New York in particular, needs help to add the missing ingredients needed for economic revitalization. We have the most important ingredient -- our people. We need capital support from Washington. This support should be combined with local and business support. We need to make rural areas as attractive for business as they are as places to live.

The Federal government has had rural development programs in the past. The most successful of these has been the Rural Electrification Administration. The REA program has been one of Federal and local cooperation and commitment. REA cooperatives have become financially sound contributors to communities across the country. Cooperatives provide reliable electricity at reasonable cost to those areas deemed uneconomic by investor-owned utilities. This was done mostly by hard work, but financial and technical support provided the edge needed for

success.

Rural development should build on this success. Through the rural electric and telephone cooperatives, the REA has a successful working relationship with rural areas. This is evident in all aspects of rural America: housing, farming, business, recreation, education, electricity, communication, and water to mention a few. Instead of duplicating efforts, this public-private connection should be used to develop rural areas.

In your rural development Bill, please provide: capital that is needed to leverage private business development; funds to support local infrastructures; and a leadership role for the Rural Electrification Administration and the Rural Electric and Telephone cooperatives. We need rural development, and we need a program that works.

Thank you for the opportunity to appear before you today.

Dr. Richard A. Moyle
General Manager
Steuben Rural Electric Cooperative
P.O. Box 272
Bath, New York 14810

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farm bureau

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September 5, 1989

The Honorable Congresswomen
Louise M. Slaughter
1707 Longworth House O.B.
Washington, DC 20515

Re: Agriculture Subcommittee
on Rural Development Hearing.

Dear Ms. Slaughter:

As President of the Ontario County Farm Bureau I regret that I am unable to personally testify at the hearing but would appreciate having the following added into the record.

Here in New York State, as in most of the North Eastern States, the farmland preservation question is being brought to the attention of all agricultural organizations and leaders. Many different proposals have been brought to the forefront. One of the problems is the fact that large acreages and even whole farms have to be sold by the children of a deceased farmer in order to pay the Estate Taxes.

In many areas of the state the land values for development are far exceeding the value of that land when used for agricultural purposes. This puts a much higher value on the inherited estate than a farm operation can support.

IRS Code 2032-A does allow for an exemption of $ 750.000.00. This figure however was set back in 1980 or 81, since then the normal inflationary rise in development land has increased dramatically.

In the interest of preserving our very precious farmland and to help keep open areas for our non-farm neighbors to enjoy, we would urge you and the subcommittee to push for a revision of the exemption amount in order to adjust it for the inflation of the last 10 years.

Sincerely yours,
Ontario County Farm Bureau

Sigrid Amberg

Sigrid Amberg (Pres.)

Members of the House Agriculture Subcommittee on Conservation, Credit, and Rural Development, I am Floyd Anderson, Supervisor of the Town of York in Livingston County, and I thank you for extending me an invitation to speak today.

I am sure that you are well aware of the many problems Rural America is facing today, and I would like to address three or four of these items.

The first is the availability and cost of medical care in our area, particularly for the senior citizens. A group of citizens from Caledonia formed a search committee to try and find a doctor to replace Dr. William Andalora, a general practioner who looked 2 to 3 years to find a replacement, and has maintained an office in Caledonia for forty years. They were successful, after a year's work, in coming to an agreement with an HMO in Rochester that will supply medical services to the area. If the Caledonia search committee had not been successful, there would have been three to four thousand people without primary medical care.

Livingston County operates two health care facilities with a total of 166 skilled nursing beds (SNF) and 132 health related beds (HRF). The County policy has always been that County residents on medicaid would have top priority for beds that were available. This puts the County in the position of accepting patients that the reimbursement is at a lower rate than the private pay patient would pay at a facility operated by a private

corporation. This lower reimbursement in conjunction with the shortage of professional nursing staff, and the higher costs of obtaining qualified staff, or having to hire agency nurses on a temporary basis, is putting a strain on the taxpayers of the County. The Geneseo SNF facility operated in the red, to the amount of $66,000 in 1988, and the facility administrator felt very good about that figure, because three years earlier, when he assumed the administrator's position, the facility was operating at about a $300,000 deficit. This same administrator told me in August of this year, that due to increased costs of professional staff, as well as increased costs for normal maintenance and operation, that the facility will probably end the year with $250,000 deficit and the outlook is even bleaker for 1990. The HSF facility in Mt.Morris has the same financial problems, but with bigger deficits.

My next thoughts are on the infrastructure of the area, roads, bridges, water and sewers. The old saying "You can't get there from here" is almost true in this area. The interstate highway system that was developed during the sixties and seventies needs attention, but also our state, county and town highways and bridges need work also. New York voters did pass a Highway Bond Act in November of 1988 that will provide some four billion dollars for highway repairs, however, I believe this is a stop-gap measure, and when this money is gone, we might well be back in the same position that existed in 1988. Livingston County used to utilize their Federal Revenue Sharing funds, $350,000 - $380,000, for highway purposes, and now that these funds are no longer available the difference has to be made up by the local taxpayer.

The Town of York used their Federal Revenue Sharing funds primarily for purchasing equipment for the highway department. We were able to purchase heavy duty 10-wheel dump trucks in 1982, 1984, and 1986 without going into debt, but this year we will be selling bond anticipation notes to finance the purchase of a truck. The demands placed on the highway department for more hard surfaced roads, faster snow removal in the winter, and the cost and financing of new equipment tests the ingenuity of the highway superintendent and the Town Board to find solutions, and still keep the tax rate within reason.

The Town of York has a small sewer district that serves eighty households, the International Salt mine, and a small shopping plaza. The Retsof Wastewater Treatment plant built in 1956 needed extensive renovations, and in 1984 we undertook a $380,000 project to bring the plant up to date. We were very fortunate that this project was 75% Federal funded, 12½% New York State funded, and 12½% locally funded. The Federal and State funds that helped us in 1984 are no longer available, and if the treatment plant needs renovations in the future, and New York State Department of Environmental Conservation says it will, I foresee sewer rents tripling or quadrupling at that time.

The York Water District is replacing 5800 feet of water mains this year at a cost of $260,000. We were able to obtain a Farmers Home Administration loan that will help keep our debt service costs down, but there is no question that this will be an additional burden on the households and businesses in the water district.

The volunteer fire companies and ambulance squads who service our communities are being hard pressed to continue their dedicated commitment with the increased costs of purchasing, maintenance, and operation of their vehicles. We all depend and rely on these volunteers for fire protection and ambulance service. The ambulance service is essential in emergencies to provide immediate attention and then transportation to area hospitals, and all this is done with no charge to the patient. Equally important is the fire protection provided by all fire companies, but with ambulances costing $60,000-$75,000 and fire trucks costing $150,000-$250,000, it is becoming very difficult for these volunteer services to remain solvent.

I have one project that I would like to bring to your attention, and request your support when it comes to your subcommittee. The Livingston County ASCS County Executive Director Dean Pendergast and Livingston County SCS District Conservationist Jim Booth are going to request $50,000 for cost-sharing projects in the Conesus Lake watershed. The main thrust of this project is to reduce non-point sources of pollution in the watershed. Jim and Dean have identified 20 - 30 farms that could employ different conservation practices that would help protect the lake, which is used as a water supply for the Villages of Geneseo and Avon, and also parts of the Towns of Geneseo, Avon, Livonia, and York. A source of potable water, such as Conesus Lake, must be protected, and is essential for any rural economic development.

The Livingston County Soil and Water Conservation Board, which I am a member of, has taken a position that the criteria for cost sharing

conservation practices should be on a regional basis, rather than on a national basis, that is, more resources should be made available in the northeast, where the top soil is 8-12 inches deep as compared to the 8-15 feet of top soil in some areas of the mid-west.

Livingston County consistently ranks in the top three Counties in New York State in participation in ASCS and SCS programs. Agriculture and Agri-business is the largest business in the County, and to keep it viable we need the expertise of ASCS and SCS.

The items I have touched on this morning all contribute to rural development, and being an eternal optimist, I believe that with cooperation between Federal, State, County and Town governments, and the private sector we can come to some resolution for the future.

Floyd E. Anderson
Supervisor
Town of York, New York

STATEMENT BY
JAMES P. BARNEY
RD # 1 - BOX 160
SHERMAN, NEW YORK 14781
PHONE: (716) 761-6611

TO: THE HOUSE OF REPRESENTATIVES AGRICULTURAL SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

My perspective may be somewhat unique, but the problems I have faced are certainly not. I am a dairy farmer from a small town of 1500 people in south western New York. My farm has prospered over the past 25 years while my community has lost many of its economic and human resources. Today, the future of my farm and my community are very much in doubt. It is unlikely that agriculture can prosper in a failing community. I am convinced the future of my farm is irrevocably linked to the future of my community. Awareness of this linkage has prompted me to become active in economic development organizations both locally and regionally. I am one of the original incorporators of a local nonprofit dedicated to rebuilding our small town and a multi-county nonprofit that administers an EDA revolving loan fund. It is from this background and many hours of study and travel that I am commenting.

As Congress considers legislation to help rural America, it is important to consider that linkages with small cities and urban centers are very important to the success of rural areas. Legislation that ignores this fact serves to further isolate rural areas and deny them the means to become competitive. While, "The Rural Partnerships Act of 1989", S. 1036, provides many tools to help rural America, it does not explicitly address this important issue. Furthermore, by focusing only on rural development we may overlook many opportunities in rural-urban partnerships.

The Development Process

The process is based on the community development model and begins with community level needs assessment, resource inventory and goal establishment. Next, alternative strategies are developed and considered. Implementation of the most promising strategies is then begun and monitored. Periodic reviews are made and compared to the goals. Needs assessments are conducted from time to time and the process continues. The above process is used often, is well understood, and usually works well when there are enough resources available. It has either, not been initiated or has not worked well in most rural communities because of limited resources found in low densities.

Multi-sector development activities outside large urban centers are most effective when practiced on a regional (county or multi-county) basis. When smaller areas are the main focus it is difficult to attract enough resources to support the process. It is also difficult to develop and implement strategies from the limited pool of resources found in smaller areas. Larger areas

spread the costs and offer a more diverse selection of resources upon which to base strategies. Very large regions make local needs assessment impersonal and do not build the community involvement and support needed for effective implementation.

Partnerships Between Rural Communities and Small Local Cities

Rural communities are generally unable to begin or sustain the development process because they lack sufficient financial and human resources. Some rural communities have shared professional staff in an attempt to control costs, but it is often difficult to find a concentration of proactive town and village governments willing to support such staff. Even small cities, on the other hand, often have some professional planning and development staff. But development efforts of city planners usually ignore potential linkages with the surrounding rural communities. Even county level planning and development efforts are most often biased toward the more easily and cost effectively developed urban areas. Given the above situation, and the fact that many resources are shared by small cities and their surrounding rural communities, it seems logical to encourage regional development activities and institutions that build on rural-urban linkages. While many rural communities are so remote that linkages with small cities can not be built, it is still important for remote communities to build linkages with each other. In either case, federal policy that encourages regional development makes sense. Local development capacity for rural areas can be built more effectively and at lower cost through existing city, county and multi-county development institutions than by creating new ones for each rural area. Of course, incentives and regulations would have to be used to insure that rural needs are not ignored. The obvious advantage is the development of strong rural-urban partnerships.

The Role of Large Urban Centers in Rural Development

Under normal circumstances, urban centers have the economic momentum and diversity for growth and prosperity. They possess the capital, technologies, research and education facilities, infrastructure, market access, amenities and human resources that allow them to be successful. They are the major driving forces in the U. S. economy. Rural America is ill-prepared to compete with urban centers nor should it try. Most rural economic development at least considers urban markets in its development strategies. But rural areas need much more from urban centers than market access. It needs to be integrated into the fabric of urban society. It needs to become a partner in investment and operations.

The perpetual disinvestment in rural America must stop. But government investment can not be substituted for private sector investment. Local banks, utilities, insurance companies, pension funds and even local investors have all abandoned rural America. In some cases, the structure does not exist for investment. In other cases, investment is just seeking the highest perceived return for the least perceived risk. However, the actual returns and risks are often unknown or difficult to compare to the well

established urban markets. Either through regulation, incentives or new structures private investment risk capital must return to rural America.

Conclusion

Rural America can no longer "go it' alone." Urban mass society must become involved in the future of rural America with investment, information, technologies and as a trading partner. The isolation from urban society that urban people envy and in which rural people revel is destroying rural America. Small local cities must join with rural areas to develop regional strategies. Governments role must be one of catalyst not caretaker. What rural America needs is a partner not a handout. There are opportunities.

LIBERALISM TO THE TEST:

AFRICAN-AMERICAN MIGRANT FARMWORKERS AND THE STATE OF NEW YORK

Donald J. Barr
Aurora Demarco
Carl Henry Feuer
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February, 1988

The authors bear full responsibility for the content of this paper. Comments and requests for copies of this paper should be sent to: Donald J. Barr, Department of Human Service Studies, 248 MVR Hall, Cornell University, Ithaca, NY 14853.

This paper would not have been possible without the generous support of the SUNY New York State African American Institute.

FOREWORD

The New York African American Institute is engaged in a series of studies of the history, present status, and future prospects of African Americans in New York State. These studies are conducted under guidelines promulgated by the Institute and supervised by resource panels in the following areas: housing, criminal justice, historical sites, curriculum, dropout, community control of education, indigenous institutions, the arts, African origins, minority concerns in higher education, African American studies, unemployment, employment and income formation, health, politics, relations with other peoples and nationalities, migrant laborers, immigration, science and technology, communications networking.

Liberalism to the Test: African American Migrant Farmworkers and the State of New York is the third in a series of staff studies to be issued by the Institute. The authors of this study are Professors Donald J. Barr of Cornell University and Carl H. Feuer of SUNY College at Cortland.

The study raises some very controversial issues with respect to the official policy towards migrant farm workers. The authors recommend some novel approaches to the solution of the vexing problems faced by these workers.

The study is issued for the express purpose of discussion, criticism, and general commentary. The Institute's main objective in issuing the report is to stimulate a dialogue which will generate greater clarity and understanding of the issues raised in the study. We wholeheartedly invite written responses to the methodology, the conclusions, and the policy recommendations of the study. We also welcome any contributions which elaborate on alternative solutions to the issues raised.

The Institute takes this opportunity to applaud Professors Barr and Feuer for a brilliantly executed project.

Lloyd Hogan
Albany - February, 1988

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SUMMARY AND CONCLUSION

How much have the working and living conditions of migrant farmworkers in New York changed since the post-War period? What actions have been taken at the State level to improve these conditions in a meaningful way? What would a snapshot of rural New York, as we approach the beginning of the 21st century, reveal?

Unfortunately, conditions have not changed much, and a 21st century snapshot -- if the situation remains static -- may reveal 19th century relations of production. Certainly this is one of the lasting impressions conveyed by surveying of State policy as it affects migrant farmworkers. It is a conclusion that does not speak well for the vaunted liberalism of the Empire State; it appears that New York's liberalism stops at the farm gate.

Migrant farmworkers in New York State:

- earn less for doing more than just about any other worker in the State;
- have a workday and workweek of length that are unheard of in other occupations;
- work for employers that systematically, and apparently with impunity, evade legal restraints just at the same time that they ignore moral imperatives;
- work in communities that are hostile to their presence;
- live in housing in those communities that is not conductive to their health or dignity;
- are subject to a degree of chemical contamination in the fields and at home that is unimaginable elsewhere in our society.

It is an evil, racist, classist, exploitative system, and policy makers have not acted in a meaningful way to change it.

State Policy Trends Towards Migrant Farmworkers

At no time since African-American farmworkers started coming to New York State in significant numbers has the State acted in an assertive way to defend their interests against those of capital. There was, however, a greater concern and awareness of the problems of migrant farmworkers exhibited in the 1950s and 1960s than thereafter. The 1970s and 1980s, especially after 1974, represent a special period of neglect of the needs of the most vulnerable in the New York State community.

By the mid-1970s, "time had passed them [migrant farmworkers] by, as far as political sensitivity" (Armer, 1987). Between 1974 and 1981, for example, the farmworker minimum wage lagged seriously, and no significant farmworker

legislation was passed. Both the Minimum Wage Advisory Commission and the Interdepartmental Committee on Migrant Labor were relatively quiescent. By the 1980s, the latter had become an historical artifact only. A Democratic administration reigned during most of this period.

In contrast, in the mid to late 1960s the Legislature passed important minimum wage and workers' compensation legislation for farmworkers. Earlier there was a nationally innovative attempt to regulate farm labor contractors and some effort to publicize and ameliorate the housing problems of the farmworkers. The passage of the drinking water bill in 1973 probably reflects the closure of this trend.

The activities of two governmental bodies also kept the farmworker issue alive during the 1950s and 1960s in a way that did not take place later. The Joint Legislative Committee on Migratory Labor met and reported regularly between 1953 and 1968. This was no group of farmworker advocates; if anything it reflected grower concerns more. But an important grower concern at this time was labor and labor scarcity or potential labor scarcity, and this need required the State to act to ameliorate some of the worst abuses. The Joint Legislative Committee and its companion, the Committee on Farm and Food Processing Labor, were very moderate bodies. But, by keeping the issue on the agenda, they paved the way for the legislation that developed in the late 1960s, when the sociopolitical environment had become more propitious for such legislation.

We can perhaps explain this historical dynamic, at least in part, by the mechanization of agriculture during the 1960s and the increase in foreign contract labor coming to New York in the 1970s. Both reduced labor supply problems in agriculture, reduced grower concern about attracting sufficient migrant labor to New York, and facilitated the "deep-sixing" of any issues affecting migrant farmworkers.

Farmworker Exceptionalism

The policy system in New York State has discriminated in an extraordinary way against farmworkers. Laws passed to assist labor organization exclude farmworkers; laws passed to establish minimum wages and to regulate hours of work exclude farmworkers; laws passed to provide workers' compensation and unemployment insurance exclude farmworkers; laws passed to ensure the basic conditions of civilized existence at the workplace exclude farmworkers; laws passed to ensure disability benefits for workers exclude farmworkers, and so on.

There is no question that racism is one of the factors at the root of farmworker exceptionalism. Race, however, interacts in a complex way with class in this matter. Workers on dairy farms in New York, who are mostly white, also bear a heavy burden of oppression. The dialectic of class and race in the agricultural sector is an important area that bears further exploration.

The Dominance of the Farm Lobby

Two political facts have determined and dominated farmworker legislation in Albany. One is the power of the farm lobby; the other is the continuing lack of a significant farmworker constituency.

The basis of the farm lobby's power, manifest particularly since the early 1970s, is its control of the State Senate and its ability to defuse opposition in the Assembly. The Senate is mostly rural, mostly white, and mostly Republican. It affords the best possible environment for the growers to influence outcomes. The Assembly is more urban and more Democratic with a strong Black and Puerto Rican Caucus. Labor, people of color, and a liberal bloc all play meaningful roles within it, and they can be mobilized to support pro-farmworker legislation. Without a rural constituency, this coalition can avoid farm lobby retaliation. By the same token, however, rural farmworkers and their needs are only peripheral to this coalition. So support for farmworker issues within the Assembly can be more easily defused, or neutralized by staunch Senate opposition.

The strength of the farm lobby is only possible because of the weakness of farmworker advocates. There is no significant history in New York of efforts to organize either the migrant or full-time farmworker populations.[43] The lack of a strong voice for farmworkers is not only a result of their low level of organization. Poor people and people of color have always had a harder time achieving political standing; and when you are invisible and poor, the problems are compounded. The fact that many farmworkers are indeed interstate migrants, and some are foreign contract migrants reduces further their political legitimacy.

Legislation favoring farmworker interests and opposing the interests of capital thus faces a difficult time. In general, such legislation has followed one of three scenarios since the 1960 in the New York Legislature:

1. The farm lobby mobilizes in opposition and defeats the legislation. This was the case with bills forcing growers to provide public telephones in the labor camps, as well as with the pesticide notification exemption measure passed by the legislature in 1987.

2. The farm lobby accepts legislation beneficial to farmworkers, but only after delaying it for a while and getting amendments which render the measure less consequential for its interests or which get it something in return. This was the scenario with the minimum wage legislation passed in 1969.

3. The farm lobby acquiesces, but on a measure which is relatively meaningless to its immediate interests. An example is the measure increasing the minimum wage passed in 1974. At the time only 20 percent of farmworkers received less than the new minimum wage. The increase had only a negligible impact on overall grower interests.

Where farmworkers advocates have been able to establish a countervailing force to grower legislative power, it has generally been because of intervention by the farmworker advocates initiating changes for farmworkers. Most pro-farmworker legislation has taken the form of Governor's Program Bills. In the 1980s, for example, strong Gubernatorial pressure helped make possible passage of the minimum wage legislation.

Migrant farmworkers can also build on divisions within the farm lobby. The Farm Bureau is dominated by dairy farmers. These tend to be smaller than fruit and vegetable growers; employ fewer numbers of workers who tend to be

regular, full-time and white; and are more conservative than fruit farmers. In other words, to the extent that a policy initiative can isolate the dairy sector by not threatening them and/or not dealing with dairy workers, it has a greater chance of success in the State Legislature. But since dairy farm workers are at least as bad off as migrants, if not worse in some senses, and since such a strategy divides rather than unites workers, it is bad politics.

Enforcement -- Or Lack There Of

One of the major weaknesses in New York State in the area of farmworker policy is enforcement. The legislation is just not enforced aggressively or, in some cases, at all. There are two major reasons for this: one is the lack of resources directed at enforcement; the second is a lack of will or concern on the part of "street level bureaucrats" and/or administrators. This lack of will may have structural roots and/or may be linked to racist or classist behavior.

Enforcement is a much less "glamorous" governmental role than legislation and policy making, so resource problems are endemic. Without a significant constituency, moreover, farmworkers lose out even more in decisions allocating resources for enforcement. This clearly occurred in the 1970s in the Department of Labor when sharp cutbacks were made in farm inspections, and also in other agencies which do not allocate resources to enforcement, tending to rely instead on complaint-based enforcement. Complaint-based enforcement does not work with farmworkers as we have stated in a number of places in this paper. Policy resting on complaint-only enforcement is effectively no policy at all. Lack of resources is not the only problem. Related to this is continuing pressure from the farm lobby, which does not restrict itself to the legislative arena alone. It also concerns itself with defending grower interests in the implementation process as well.

The second problem area is more structural, having to do with the level of government responsible for implementation and how this impacts on the enforcement process. The most problematic situation is when enforcement is the responsibility of local officials. This is the case, for example, with enforcement of the housing code. It also affects cases brought by the Labor Department against growers for infractions of labor law, which are adjudicated by local courts.

This is the level at which racism and classism seem most active with respect to migrant farmworkers. In the first place, migrants are rarely, if ever, considered a part of the local community. They are set apart by race, by origin, by culture and sometimes by language. They may also be set apart by class.

This hostility dates back to when the influx of African-American migrants began in New York. Early on, a Legislative Committee was moved to report: "...A state of armed truce exists, during which complex retaliatory, as well as protective, devices have begun to develop among migrants, employers and the citizens of affected communities" (Joint Legislative Committee, 1953:23).

Could it have been any different, with a sudden, large influx of Southern African-American labor into rural white conservative New York communities? How many local community members have said of the African Americans what one

community leader said of the residents of the "White" labor camps (92 percent of the labor camps were White in the late 1940s and 1950s): "These people are summer members of our community" (Joint Legislative Committee, 1853:18). We would contend that the "armed truce" remains prevalent today, and is, if anything, more armed and less a truce.

The attitude in such communities mirrors general social predispositions in dealing with poor people and farmworkers: to see them as irresponsible, as incapable, as perhaps immoral and "that providing adequate services and facilities to migrants is futile and that migrants should be treated in a paternalistic authoritarian manner" (Sutton, 28). It is not conducive to strong policy implementation favoring farmworkers.

An alternative to local enforcement is enforcement by Federal authorities. This is much preferred by farmworker advocates. Their view is that farmworkers are much better served by the Federal court system and by federal authorities. The latter tend to live in urban areas, to be career bureaucrats, and to be less affected by the power of the farm lobby in New York State (Ruehle, 1987). State-level enforcement varies somewhere in between the two extremes.

It should be clear that regardless of the government level at which enforcement occurs, farmworkers must have more input in the enforcement process.

(The complete report is held in the committee files.)

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TESTIMONY TO THE AGRICULTURE SUBCOMMITTEE ON
CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

LE ROY, NEW YORK
SEPTEMBER 11, 1989

The Bishop Sheen-Ecumenical Housing Foundation, Inc. is a not-for-profit agency which lends money and support to low income homeowner's and organizations which provide housing for low income families. Because we are a housing organization, I would like to address the concerns we face for low income housing in rural New York.

BSEHF supports the belief that improving housing conditions for rural New Yorkers of limited financial means is fundamental to the effort to improve the quality of life for hundreds of thousands of our economically disadvantaged neighbors living in small communities all across the state.

Access to adequate affordable housing should be a basic human right of all New Yorkers. Thousands of rural New York families as well as individuals striving to overcome economic, social and physical handicaps live in housing that is so substandard that it presents a real danger to their health and safety. For low income households, housing has become an increasingly unaffordable commodity.

More than one in six people in rural New York State fell below the federal poverty line of $9,056. for a family of three in 1987. Families were just as poor during our economic recovery as they were during the 1975 recession. These rural poor face major obstacles. Often they dwell in sparsely settled regions where relief offices and job training offices are hardest to find. Small towns do not offer the same social services cities offer.

Rural families tend to live in two-parent households and to hold menial jobs. This income excludes their eligibility for AFDC, Medicaid, and other benefits. Though rural families make up about 30% of all families living below the poverty level only about 20% of federal, state and local funding spent on the poor. Twenty-five percent of all rural children live in poverty.

Continued on Page 2

Providing the resources to ensure adequate affordable housing is very costly and the process is very lengthly. Over the last several years, the federal government has drastically reduced its housing commitment to such a degree that almost all of the progress achieved in the 1970's to address housing problems has been lost.

BSEHF offers several programs designed to encourage home ownership for low income individuals. The Home Ownership Program provides funds in the form of a loan for closing costs for first time homeowners. Through the Emergency Home Repair Program, low income home owners receive assistance in the form of a grant to make necessary and critical repairs on their homes. By making these repairs the continued occupancy and ownership of the home can be maintained.

A particular need experienced by BSEHF has been a marked increase among the elderly. Poor elderly households are more likely to be homeowners, having paid off their mortgages. However, this does not insure continued home ownership. Three out of four poor elderly households spend at least 30% of their income on housing - exceeding the federal affordability standards. Our own data collected through the operation of the Emergency Home Repair Program, indicate that elderly households have consistantly had the lowest income of all client's served. The average income of a family served by BSEHF was $8,414; the average income for an elderly household was $5,223; clearly far below the average for all households served.

Of the households served by BSEHF, eighty-two percent were elderly. These clients are isolated from much needed services because of being rural. The clients suffer from trying to survive on a fixed income. Essential home repairs are left unmet in order to pay taxes, high utility and medical bills.

With the decline in Federal support of housing New York State has developed programs to fill in the gap but there is ample room for fine tuning, for expansion and for new approaches. On the Federal level, I would ask that one examine its commitment to housing and a great deal of thought be given to a national housing policy which will take us through the 1990's. This policy must reflect a true commitment to the belief that safe, decent, affordable housing is a right for all people.

STATEMENT OF JAMES A. CARRIGG
CHAIRMAN OF THE BOARD & CHIEF EXECUTIVE OFFICER
NEW YORK STATE ELECTRIC & GAS CORPORATION

BEFORE THE SUBCOMMITTEE ON
CONSERVATION, CREDIT, AND RURAL DEVELOPMENT
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

Regional Hearing
LeRoy, New York
September 11, 1989

New York State Electric & Gas Corporation (NYSEG) greatly appreciates the invitation of Rep. Louise Slaughter, Co-chairwoman of the Northeast Agricultural Caucus, to share our thoughts on the very important issue of rural development. NYSEG applauds the subcommittee for requesting the views of various parties around the country before legislation is proposed.

Rural development is of particular concern to NYSEG, an investor-owned electric and gas utility that serves a population of 1,800,000 in upstate New York. We serve about 17,000 square miles of New York, representing one-third of the state's total land area. Our service area is primarily rural and suburban and includes 43 counties and over 150 villages and small communities. NYSEG's 4,500 employees live and work in these communities and are very concerned with the quality of life for their families.

There has been steady growth in our service area as businesses and families move from large metropolitan areas in search of new markets and quieter, spacious surroundings. NYSEG is committed to working with local governments and the New York State Office of Rural Affairs to ensure that these small communities have the necessary services to accommodate new residents.

We believe the private sector, working in partnership with federal, state, and local governments, has an important role to play in rural development. Investor-owned utilities provide power to over 37 million rural Americans, and NYSEG is proud of its record of support and assistance to the rural communities it serves.

A top priority of NYSEG is to provide technical and managerial assistance to rural communities to aid in their community and economic development efforts. We have assisted many communities who have never before conducted economic development programs. In some cases, NYSEG's professional staff of certified developers has acted as a surrogate staff in the absence of a formal economic development function in a community.

Some recent examples of NYSEG's assistance to rural communities include:

- In Dansville, N.Y. (pop. 4,870) we provided technical assistance to design and develop an industrial park intended as the future home of a major manufacturer.
- In Nichols, N.Y. (pop. 590) we are part of a task force working to attract a major food processing plant, which would create over 1,000 new jobs in the area.
- In Oneonta, N.Y. (pop. 13,800) we are working closely with the community to locate a major warehouse distribution company.
- In Clinton County, N.Y., NYSEG designed a program to attract Canadian firms from Quebec who were interested in expanding or relocating their facilities in the United States.
- In Schuyler County, N.Y., we assisted the community in the formation of a new local development company intended to coordinate future development activities.
- NYSEG community development professionals provided 21 small communities with customized guidelines on the construction of commercial/industrial buildings for use by new and expanding businesses.

In addition, NYSEG experimented with a "mobile neighborhood office" to bring our customer services closer to the communities of Whitney Point, Windsor, and Cincinnatus.

NYSEG would like to do more to support the rural communities it serves. However, we believe the greatest problem facing rural communities is the difficulty in gaining access to capital for infrastructure improvements and other development activity. NYSEG is encouraged, therefore, by the recent federal legislative activity to provide federal assistance to aid business and job creation in rural areas.

To maximize the effectiveness of a new federal initiative on rural development, NYSEG strongly urges the inclusion of an equal role for investor-owned electric and gas utilities. The experience utilities have in working closely with communities on development efforts would be a tremendous asset to the federal program.

The provisions of the "Rural Partnership Act of 1989" (S.1036) are unnecessarily restrictive on the role of investor-owned utilities. Forcing private companies to form non-profit subsidiaries in order to administer funds under the Act may preclude the participation of those organizations with the most experience in rural development matters. We are encouraged by Senator Lugar's comments, when in speaking in support of the Act he added: "Further refinements may need to be made in conference to ensure that all electric utilities serving rural customers would be eligible participants in any rural development legislation."

Thank you very much for the opportunity to provide this statement for the hearing record. NYSEG remains ready to work cooperatively with Congress to produce rural development legislation that provides opportunity for all rural Americans.

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Andrew F. Caverly
Government Relations Director

RochesterTelephone

July 21, 1989

RE: RURAL PARTNERSHIPS ACT S.1036

Rochester Telephone Corporation of Rochester, New York, on behalf of itself and its subsidiary telephone companies (together "RTC") would like to convey to you our opposition to S.1036, the Rural Partnerships Act, in its present form.

Rochester Telephone's subsidiary telephone companies in New York State are AuSable Valley Telephone Company, Inc. of Keeseville, Sylvan Lake Telephone Company, Inc. of Hopewell Junction, Highland Telephone Company of Monroe, and Seneca-Gorham Telephone Corporation of Holcomb; in Pennsylvania, Enterprise Telephone Company of New Holland, Breezewood Telephone Company of Breezewood, Lakewood Telephone Company of Barnesville, Oswayo River Telephone Company of Shinglehouse and Canton Telephone Company of Canton; in Indiana, The Thorntown Telephone Company, Inc. of Thorntown; and in Michigan, CC&S Telco, Inc. of Jackson and Ontonagon County Telephone Company of Ontonagon. Many of these companies are also borrowers from the Rural Electrification Administration ("REA") and the Rural Telephone Bank ("RTB").

RTC supports Congress' efforts to promote development of rural America. However, RTC believes that S.1036, if passed in its present state, has the potential to inflict economic hardship on rural communities by inducing the creation of duplicative telephone and telecommunications systems.

Such duplicate systems, built with government grants, will threaten the investment rural telephone companies have made in the existing telecommunications infrastructure serving rural communities and, by extension, the repayment of outstanding loans held by REA and RTB. It is a misallocation of scarce resources to construct another telecommunications system when the existing infrastructure is capable of handling the rural telecommunications needs.

Moreover, once larger customers have been lured away, residential users of the existing telephone systems will suffer, as their rates will necessarily increase to cover the cost of providing them with telephone service.

Sections 202 and 203 of S.1036 provide incentives to organizations not traditionally involved in telecommunications to bypass the existing telecommunications systems now serving rural medical facilities and businesses.

Local exchange telephone companies now carry the burden of universal service. They should be the entities who bring the Information Age to rural areas. S.1036 should be amended to make federal funds available through REA and RTB to local exchange telephone companies to meet the telecommunications needs of rural America, if any deficiencies in facilities exist.

Very truly yours,

Andrew F. Caverly
Government Relations Director

/bavh
gov2

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Cable Television Cross Ownership
(H.R. 2437, S.1068)

The Cable Communications Policy Act of 1984 prohibited local exchange carriers from providing cable television programming within their telephone service area. The Federal Communications Commission has recommended to Congress that a repeal of this measure at this time would best serve the interests of competition and consumers. The United States Telephone Association, as well as Rochester Telephone, concurs with the Federal Communications Commission and we would cite the following arguments in favor of removing the barrier to telcos serving this market:

1) A repeal would serve First Amendment goals involving freedom of expression.

2) Allowing telcos to participate in cable TV programming would encourage diversity in the offerings to the viewing public.

3) Competitive pressures would be brought upon a currently unregulated monopoly cable market.

4) Joint venture activities (between cable firms and telcos) could be promoted where:

   a) Independent cable operators currently do not operate, i.e., rural areas.

   b) Cable interests currently do not seek to compete with local exchange carriers in a specific market.

Benefits include:

- Introduction of new services
- Faster deployment of technology
- Efficiency in delivery
- Consumer benefits in reliability, capacity, diversity, cost-effectiveness

5) Basic Cable Act franchising framework is designed to deal with local cable concerns and local exchange carriers could easily work constructively with local government interests.

6) Revised cost allocation rules utilized by telcos would serve to protect the public interest from improper cross-subsidies from regulated services.

Sincerely,

Andrew F. Caverly
Government Relations Director

What Is Cable/Telephone Cross-ownership And Why Is It Important To Consumers?

In 1984 Congress passed the Cable Communications Policy Act which effectively deregulated the cable television industry. As a result, the cable industry has been able to position itself so that in most instances local cable operators are the only ones who can deliver cable television to the home. The evolution of this unregulated monopoly has proved detrimental to America's cable TV consumers in terms of cable service quality, reliability and price. This situation needs to be changed.

The local telephone industry believes the "cross-ownership" restrictions contained in the Cable Act that prohibit phone companies from offering cable TV to their telephone customers should be repealed. Telephone companies want the opportunity to compete directly with cable companies in offering cable TV. A competitive marketplace would be in the public interest and benefit consumers.

The question facing the telecommunications industry, legislators, regulators and consumers is whether local telephone companies should be allowed to offer a competitive cable service alternative. How this issue is resolved could have a far-reaching effect on every American; it may well determine how we conduct our daily activities in the years ahead.

On a broader scale, there is more at stake than who should be allowed to provide entertainment television. The larger issue concerns the future of communications in America.

The Rules Governing Cable TV Delivery No Longer Serve The Public Interest

The federal cable law, passed five years ago, was enacted to promote competition within the cable television industry. The actual result has been the development of an unregulated cable monopoly that has used its position to take advantage of the American consumer. With more than 8,000 cable systems in the country, fewer than 40 communities enjoy a competitive cable environment.

The cable industry began as a handful of small businesses whose original goal was to improve TV reception in fringe areas. However, over the last two decades it has grown into a financially sound (approximately 20 billion dollars in annual revenue), consolidated industry which for the most part is concentrated in the more densely populated areas of the country. More than 80% of the nation's homes now have access to cable and over 50% of these homes are cable subscribers.

However, these figures do not include the many rural areas that still have no access to cable and no options for getting it. Consumers living in these areas are forced to go without cable TV because the nearest cable company, for whatever reason, has decided not to provide them with the service. The telephone company is there, but because of the federal prohibition it can do nothing.

The anti-competitive barriers contained in the Cable Act have left the local cable operator as the only supplier of cable television in most communities. As the only provider, the cable company can charge what it wants for the service, carry only the programs it wants, and provide cable only to the areas it chooses to serve. Local communities, with no viable alternative, must make do. As a result, many consumers have been forced to pay increasingly high rates for cable service that in some instances is unreliable and limited in the type of programming being offered.

American consumers have suffered because of the federal law governing the delivery of "video programming" in this country. The law no longer serves the public interest. Congress must take action and repeal the relevant prohibitions contained in the Cable Act.

Cable-TV Competition Would Mean Better Service and Better Rates

The Cable Act prevents the majority of America's local telephone companies from offering cable television in the same areas where they provide telephone service. The local telephone industry believes it should be allowed to compete directly with cable companies and be able to offer cable television. By changing the law in this way telephone customer protections would be retained, and it could lead to better cable television service and better cable rates.

With the advent of fiber optic technology, local telephone companies now have, or soon will have, the capability to offer a great many new and enhanced services — much more than just voice. Cable television is one of the services they could provide. Telephone companies want to be able to utilize fully these new networks, to the benefit of their customers.

With increasing public concern surrounding the quality, reliability, delivery and cost of cable TV, local telephone companies feel the time has come to eliminate the restrictions that are keeping them from offering cable service. Having more than one company offering cable TV would lead to healthy competition and would be beneficial to consumers.

A local telephone company offering cable would create the type of competitive marketplace that would lead to higher quality and more widely available service being delivered at competitive prices. In short — better cable service. Such a marketplace would benefit the consumer, improve the quality and delivery of cable TV, and serve the public interest.

There Is More At Stake Than Who Should Provide Cable Television

When considering whether telephone companies should be able to offer cable television (often referred to as "the cable/telco cross-ownership issue"), it is important to realize that there is more at stake than just who should be allowed to provide entertainment television. The bigger issue is the future of communications in America and the need for new and better telecommunications services.

How fast these new services are developed may be directly related to the telephone industry's ability to offer these services to consumers. Right now, the federal cable law stands in the way. It is a barrier slowing down telephone companies as they seek to build the networks of the future. If no changes are made in the law, current problems such as high prices and rising costs for research and development will continue. If the situation stays the way it is, everyone loses — the industry, the country and the consumer.

Looked at in a broader sense, the resolution of this issue also has implications abroad. The rapid deployment of fiber optics and its related components is vital to upgrading the nation's telecommunications infrastructure and ensuring U.S. competitiveness in telecommunications in the world economy. Recognizing the role fiber plays in network modernization, nations such as Japan, Singapore and Korea are upgrading their networks in this fashion. This trend could enable these nations, and others, to surpass the United States in their telecommunications capabilities in the coming decade.

Clearly, if the U.S. is to remain competitive it must push forward in developing new and better communications services. High definition television (HDTV), which produces movie-quality picture and sound, has been recognized as one such service. If telephone companies were allowed to provide video services it would help to drive network modernization and spur new development by cable companies, information providers, and equipment manufacturers.

What Must Be Done

The prohibitions written into the Communications Act by the Cable Communications Policy Act and the regulatory constraints imposed by the FCC protect the cable industry and are no longer necessary. By not allowing local telephone companies to work toward the full potential and utilization of their networks, these barriers constitute a disservice to consumers and the public interest. These prohibitions and restrictions must be repealed.

This will not be easy. The FCC can make its regulatory restrictions more realistic, but changing the law will take an act of Congress. If consumers' rights are to be advanced and protected it will be necessary to take a proactive approach on the issue of cable/telephone company cross-ownership. **Members of Congress need to hear from consumers — who are also their constituents — why cable companies need competition and why telephone company entry into the cable TV marketplace would be in the public interest.** Although the final decision on this issue will be made in Washington, congressional action will be strongly influenced by the concern voiced on the local level — from states, cities and towns. The National League of Cities and the National Conference of Black Mayors are two among the many local level organizations that have publicly indicated the law needs to be changed.

If you want to improve the quality, reliability and affordability of cable service, write to or talk with your member of Congress, your state legislators and city officials. Tell them the restrictions on cable competition contained in the Cable Act are not necessary and do not serve the public interest.

Tell them you want a choice.

A Fact Sheet:
Cable Television/Telephone Company Cross-Ownership

Telephone companies are prohibited from providing their customers with "video programming."

In 1984 Congress passed the Cable Communications Policy Act prohibiting telephone companies from providing "video programming" in the same areas where they provide telephone service. The Bell Operating Companies are further constrained by restrictions in the Modified Final Judgment (the agreement put in place at the breakup of AT&T).

Under the protection of the Cable Act, the cable industry has grown into an unregulated monopoly.

The Cable Act was passed based on the major premise that cable companies would be subject to competition. However, instead of developing competitively, the cable industry has grown into a financially sound (approx. 20 billion dollars in annual revenue), consolidated industry concentrated for the most part in the more densely populated areas of the country. More than 80% of the nation's homes now have access to cable and over 50% of these homes are cable subscribers.

As the only supplier of cable television in most communities, a cable company can charge whatever the market will bear and offer only the programming it chooses to offer. Also, if the local community has problems with the service it's receiving, it has no options or alternatives for choosing another cable TV provider.

Because they have no competition and they are not regulated, cable operators have continued to increase their cable service rates.

A recent survey of 25 Ohio cable systems by the Government Accounting Office shows that those systems raised rates by an average of 27% in less than two years. This is more than four times the rate of inflation.

According to the Bureau of Labor Statistics, over the last 12 months cable rates on average have risen 13.6% — more than 3 t[illegible] the increase in the Consumer Price Index over the same time period.

Recently a New York state senator pointed out at a public hearing that in one borough of New York City basic cable rates had increased 134% since the Cable Act was enacted in 1984.

Telephone company entry into the cable television marketplace would improve the quality, affordability and availability of cable TV.

If telephone companies were allowed to compete with cable companies, a competitive cable market would put downward pressure on cable service rates, lead to a greater diversity of cable programming and program choices, accelerate the introduction of new services, and increase consumer access to these services.

The cable/telco debate is more about the future of communications in America than who should be allowed to provide cable television.

With the advent of fiber optic technology, telephone companies have the potential to offer many new and advanced services to the American public. How fast these new services are developed may be directly related to the telephone industry's ability to bring these services to the marketplace. Currently, the Cable Act stands as a barrier, impeding telephone companies as they seek to build the networks of the future.

The rapid deployment of fiber and its related components are vital to upgrading the telecommunications infrastructure and ensuring U.S. competitiveness in telecommunications. The ultimate resolution of the cable/telco debate will affect the speed and degree of development of America's communications network and this country's ability to compete with other nations.

For more information on the cable/telco cross-ownership issue, contact: The United States Telephone Association, 900 19th Street, N.W., Suite 800, Washington, D.C. 20006-2105; (202) 835-3100.

May 1989

SENECA TRAIL
RESOURCE CONSERVATION and DEVELOPMENT AREA
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September 11, 1989

[SEP 1[illegible]

Congresswoman Louise Slaughter
311 Federal Building
Rochester, New York 14614

Congresswoman Slaughter:

I would like to commend you for your series of hearings on rural development. As Chairman of the Rural Resources Committee of the New York Association of Conservation Districts and a member and past president of the Seneca Trail Resource Conservation and Development Area I have long been concerned with the orderly development of our rural communities.

Unfortunately, I was unable to attend today's session in LeRoy, NY. However, I would appreciate it if you would enter the enclosed proposal as a statement to be included in the record of today's hearing on rural development. I believe the proposal speaks for itself but should you have any questions or would like to discuss it at greater length, please feel free to contact me as pur the last page.

Thank you for your consideration and attention to this matter.

Sincerely,

Wendell Chamberlain
President

(Attachment follows:)

RC&D - AMERICA'S ANSWER TO RURAL DEVELOPMENT!

A Proposal By the RC&D Regional Associations

One of the key questions facing our Nation today is how to effectively deal with the crisis in rural America. Historically the pouring of dollars into revitilization efforts has not proved effective because of the many federal strings attached to the dollars. However, we have a program within the United States Department of Agriculture (USDA) which has proven it can sucessfully help rural areas. We believe the Resource Conservation and Development (RC&D) program is the answer to helping rural America in its time of need.

It can only provide the answer if several conditions can be met. First, the program must be designated as a nation-wide rural program so that all rural development activities can be coordinated by RC&D Councils. Second, the number of RC&D areas must be expanded to allow all of rural America to participate. Third, the program must have additional funding at least in proportion to today's level, to provide staff to work with local councils.

To support this proposal, let us review the RC&D program for you and show why we believe it represents the best way to help with the crisis in rural America.

INTRODUCTION

The Resource Conservation and Development (RC&D) Program was instituted in 1962 to assist economically deprived areas help themselves in improving their quality of life. This was to be done by accelerating the conservation, development, and utilization of natural resources as well as enhancing the environment and upgrading the standard of living in authorized RC&D areas. The major objectives of this program were the management and conservation of land and water resources, along with community development.

RC&D areas are authorized by the Secretary of Agriculture and, in most cases, cover several counties. Currently there are 189 active RC&D areas. Leadership is provided by a Council that represents various organizations in the local area. Sponsoring organizations represented on the council may include county governments, soil and water conservation districts, water districts, communities, civic groups, and non-profit organizations.

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Council members are composed of local citizenry who may be farmers, ranchers, homemakers, bankers, mayors, environmentalist, civic leaders, and others, who are interested in contributing to the solution of local issues and problems. USDA assigns a coordinator to each council to help it reach its goals. The council prepares an area plan with USDA technical assistance to guide the work.

The RC&D program works through these local councils who determine their own objectives and goals. They decide on priorities and seek technical and financial assistance to meet these objectives. This is the uniqueness of the program: local people making the decision as to what is important rather than the federal government deciding what should be done.

Since the inception of this program, the country has faced numerous economic problems, and rural areas have been no exception. Many farmers and ranchers have gone bankrupt, and this in turn has hurt the rural communities by loss of income. Where RC&D's have been in place, however those areas have benefited by their existance.

Since a great percentage of American people live in rural areas (not just farmers and ranchers), the RC&D program has worked with local, state, and federal governments, on varied and numerous types of cost-sharing and non-cost sharing types of measures. Rural America has changed over the years and will continue to change. It also has been very hard hit because of these changing times; unemployment has become an overall major problem and needs to be addressed. The RC&D program has assisted so many areas in the past during their time of need and during these changing times and the program will continue to do so in the future. Economic development of rural areas will continue to be one of the prime concerns of the RC&D program.

The nation's land supply is limited and the approach to use of the land is not always civilized. Any type of economic development will result in additional pressure on the land resource. A sensitivity for the land is something which RC&D councils have had for a long time. They are well suited for this type of approach.

HISTORY

Congress passed the Food and Agriculture Act of 1962 (Public Law 87-703) which included the Resource Conservation and Development Program, better known as RC&D. The program, which includes all USDA agencies, was placed under the Soil Conservation Service as the administering agency. The actual program began in 1962 when 10 RC&D's were approved and came into being. Official authorization of the 10 RC&D's came in February 1964 when their plans were approved. The original 10 areas were: Gwinnett County, Georgia; Idaho-Washington, Idaho; Lincoln Hills, Indiana; WesMin, Minnesota; Northern Rio Grande, New Mexico; Cascade-Pacific, Oregon; Penn Soil, Pennsylvania;

Randall, South Dakota; George D. Aiken, Vermont; and Pri-Ru-Ta, Wisconsin.

New RC&D's were named during the following years until at present (1989) there are 189 RC&D's now operating in the United States. Forty-nine states (except Alaska) have RC&D's located within their boundaries. The number of RC&D's vary from state-to-state.

Another key date in the history of the RC&D program was the passage of the 1981 Agriculture & Food Act. The law officially recognized RC&D as a USDA program, set up general guidelines, established a Departmental Policy Board, and required the program be evaluated.

The RC&D Policy Board, made up of seven USDA agency heads, was formed and has met several times, once with the Presidents of the RC&D Associations. The Board's job is to make recommendations concerning the RC&D policy. The program evaluation is now complete and the results are discussed in a later section of this presentation.

One of the main ideas of the legislation for the RC&D program was to develop local leadership to operate and maintain the planning and implementation process to improve the environment and standard of living in authorized RC&D areas. Over the years, it has been the volunteers-council members, committee members, and sponsors-who have been unsung heroes of the program. Many hours of time and money have been put into the program with the only reward being that of making their area a better place to live. Many people who might never have otherwise had the opportunity have taken leadership rolls and learned how to make things happen.

FUNDING

Funding for the RC&D's is broken down into technical assistance and financial assistance. Technical assistance should include a full-time coordinator for each RC&D area, an office clerk, plus assistance received from specialists such as engineers, economists, etc., on local projects. Financial assistance is the money for cost sharing on projects with community benfits in the areas of critical area treatment, flood control, recreation, and irrigation activities.

At the beginning of the RC&D Program, funding was more than adequate. In fact, there was an abundance of funding for the RC&D program until 1977-78. After this time, however, because there were more and more RC&D's being activated, more cost-sharing projects awaiting funding, increased inflation, and no increase in funding at the federal level, a funding crisis occurred in the RC&D Program. There were not enough funds to really cover all the technical assistance as well as the cost-sharing projects that were being sought.

It also was at this time of funding crisis that the RC&D Association began to be formed. The first RC&D Association to be formed was the Western RC&D Association in 1978. Other RC&D Association soon to come were the Southwestern RC&D Association, North Central RC&D Association, New England RC&D Association, and Mid-Atlantic RC&D Association, making 6 RC&D Associations which cover the entire United States. The primary reason for these associations' existence is to work for more funding for the program. Since their inception, associations also have become an important factor in the exchanging of ideas among councils, training of council persons, and examining new directions for the program.

Also in the late 1970's, an ally came on board in the name of the National Association of Conservation Districts (NACD). Since conservation districts are one of the main sponsors for RC&D's, the NACD put their support behind the program.

Between the strength of the membership of the Associations and the NACD, the RC&D program has managed to hold its own in Congress with the appropriation process. Why is this support so strong? It is simply because council members and other local people believe so much in value of the program that they are anxious to do whatever it takes to keep going! Each year delegations from the various Associations have traveled to Washington, D.C. to visit Congressional representatives and to testify before the Appropriations Subcommittees in both the House and the Senate.

ACCOMPLISHMENTS

The 1981 Agriculture and Food Act also contained a clause (Section 1535) that required the Secretary of Agriculture to evaluate the RC&D Program to see if it was meeting the needs and objectives identified by states, local units of government and local non-profit organizations. The Secretary was to submit a report to Congress recommending the continuation, termination, redirection, or modification of the program as a result of evaluation.

Data was gathered during 1985, analyzed in 1986, and the results submitted to Congress by December 1986. Facts and figures gathered from this evaluation showed that an overwelming majority was very pleased with the RC&D Program and its accomplishments during the years of its existence and was meeting program objectives set by Congress. Over the years the RC&D Program has progressed to a very viable program and has proved its worth over and over again in those areas where RC&D's are located.

The RC&D Program has met many objectives and goals over the years in those areas where RC&D's are located. Personnel involved in the program have established a rapport with the local citizenry which is unparalleled in government. Cost-sharing projects, such as flood control, irrigation water management systems, and critical area erosion projects have been built. Recreational areas have also been built through auspices of the program. Reforestration and other forestry projects have been realized. The types of projects are too numerous to really go into a lot of detail, but RC&D assisted projects have included the start up of new businesses, clinics built, doctors relocated, weed control programs instituted, etc.

The RC&D program is meeting Congressional objectives of enhancing the enviroment and upgrading the standard of living in RC&D areas. In meeting these objectives, councils have carried out varied objectives and goals. There has been little that the RC&D has not been involved in when you look at all the RC&D's across this land. Each RC&D is different because areas have different problems, and different needs. No two RC&D areas are identical. But each RC&D, in its own way, is meeting the objectives and goals that the local councils have set for themselves. However, it also needs to be brought out that each RC&D has changed through the years. As times have changed, so did the objectives and goals of the various RC&D councils change.

Categorical accomplishements that evolved from the evaluation done in 1986 of all RC&Ds follows:

1. Of the 2190 measures completed during a two and one-half year evaluation period, the Soil Conservation Service provided 32 percent of the technical assistance, local governments 26 percent, volunteers 26 percent, and other federal agencies 16 percent.

2. The cost of these measures was $670 million of which 70 percent came from nonfederal sources, 28 percent from federal sources other than SCS, and 2 percent from SCS.

3. Approximately 93 percent of all measures initiated during the evaluation period have been completed or are in the process of being installed. Cancelled measures account for less than 1 percent of the financial and technical assistance used by the program.

4. Based on preliminary data, the program is associated with the creation and/or retention of approximately 300 permanent jobs per RC&D area. Average annual income per RC&D area from these jobs is estimated to range form $2 million to $7 million.

5. Local support for the program is very strong; it matched the RC&D expenditures dollar for dollar.

The above facts and figures prove how very worthwhile this program has been and what it has accomplished with the small federal appropriation it has received each year. (This of course, is meant in comparison to other funded programs.) Rural Development using the RC&D program has proven to be extremely cost effective in approved RC&D areas.

SUMMARY AND RECOMMENDATIONS

Over the last several years, RC&D's have had to search elsewhere for funding for projects, due to a lack of federal dollars for cost-sharing projects. State funds, grants, and other federal matching funds have been acquired to enable RC&D areas to install many of these projects. RC&D's all over the country have turned more and more to other types of funding out of necessity.

RC&D is and has been Agriculture's rural development program of this country in those areas where RC&D's are located. The program has a very successful record in helping local folks meet their locally identified needs in rural areas. RC&D should be designated a nation-wide rural development program. At a minimum, more funding is necessary for this program so that the 45 new applicant RC&D's can be started, as well as expanding the nine RC&D's already in existance that wish to expand. This will allow the RC&D program to benefit more rural areas than is now occurring.

In fact, the entire country could benefit from the RC&D program. RC&D is rural development! Rural areas have benefited from the program, and it has more than proven its worth. In fact, we believe that the RC&D program is the best way to carry out former Deputy Secretary Peter Meyers six-point "Rural Regeneration Initiative" plan he outlined to the Conservation, Credit, and Rural Development Subcommittee of the House Agricultural Committee on May 19, 1987.

The RC&D program of the future should include the following:

1. To give all rural people the opportunity to reap the benefits of a strong rural development program, the opportunity must be offered to all rural areas across the United States to form an RC&D area if they so desire. (Major metropolitan areas would not be included.) Since the strength of the RC&D program is local people volunteering to help others through the RC&D council, this program must not be mandated, but implemented only where strong local support is present. It would take 525 areas to do this along with an increase in the budget from $25 million to $115 million.

2. All areas must have full-time coordinators, clerks and sufficient technical assistance from USDA engineers, economists, foresters, and other similar specialists.

3. There are needs to be greater cooperation among USDA agencies and with other local, state, and federal agencies to actively help the RC&D's. This is very important for agencies such as Farmers Home Administration which also has rural development responsibilities.

4. Rural development monies given to other agencies should be used in conjunction with and in cooperation with the RC&D program. All agencies need to work together through the RC&D's for the common goal of helping rural people.

5. Where a county or counties do not wish to be part of an RC&D area, it is suggested that the Soil and Water Conservation District be the tool to administer the rural development effort.

6. More coordinators should come from other USDA agencies like the Extension Service, Farmers Home Administration, and Forest Service.

7. SCS should provide hands-on training at periodic workshops and formal training courses for coordinators, based on their needs and experience. Based on their experience, SCS should provide training to new coordinators in the basic operation of the program, hands on training with experienced coordinators, grantsmanship, and periodic workshops.

8. Every RC&D should have an economic development committee with a person from Economic Development Districts (EDD) on this committee to work with local governments, local development cooperations, and the like to assist in the economic recovery of the area. Cooperation among these groups a must. (Some of the existing RC&D's do not have the same boundaries as EDD. Some changes in boundaries may be necessary to make these the same.)

IMPLEMENTATION

It would be impossible to implement this proposal all at once a great deal of ground work needs to be done. There are only 45 applications for new areas on hand and several of these are probably outdated. Several existing problems (such as areas which cross state boundaries, areas which should be expanded, etc.) should be eliminated before any new areas are formed. Plans are needed to implement additional training sessions for new coordinators and others who would enter the program. Finally, funding must also be considered.

It is recommended that the first year 36 of the 336 new areas needed to cover the country be authorized. This would be at a cost of approximately $15.0 million. One third of this amount is for the establishment of the new areas and two-thirds to bring the program in line with inflation which has occured over the past 10 years with no increase in RC&D funds. The succeeding four years (See Table 1 below.) would see 75 new areas authorized each year at a cost of $15.0 million per year, except for the fifth year which would require an increase to address the complexities of the larger program. At the end of the fourth year the RC&D budget would need to be $75.0 million annually just to run the program at the present level of assistance.

TABLE - EXPANSION OF THE RC&D PROGRAM

YEAR	NUMBER OF NEW AREAS	TOTAL AREAS	ADDITIONAL FUNDING	CUMULATIVE FUNDING
Present Level		189		$25.0
First	36	225	$15.0	40.0
Second	75	300	15.0	65.0
Third	75	375	15.0	80.0
Fourth	75	450	15.0	95.0
Fifth	75	525	20.0	115.0

The first year's expansion can be accomplished within existing legislation which allows for 225 areas. Some funding should be available from USDA's existing allocation through the shifting of funds between agencies. The remaining four years will require Congressional legislation to authorize the additional areas and raise the level of funding to the needed $115.0 million level.

FOR FURTHER INFORMATION OR QUESTIONS CONTACT:

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STATEMENT BY

LAURA B. CHODOS
MEMBER
NEW YORK STATE BOARD OF REGENTS
THE UNIVERSITY OF THE STATE OF NEW YORK

As a member of the New York State Board of Regents with a particular interest in rural education, I commend the House Agriculture Subcommittee on Conservation, Credit and Rural Development for recognizing that problems do exist in rural New York and for providing a forum to further identify and address these concerns. While fully recognizing that problems affecting the quality of life for rural people are not confined to educational limitations, I do believe that a full range of quality educational services is an essential element in achieving and sustaining economic progress in rural areas.

The quality of education at the elementary, secondary and postsecondary levels in rural areas of New York State is key to the commercial, industrial, cultural and social vitality of rural New York and the constituency it serves. We estimate that nearly 400 of the State's 720 public school districts may be considered rural in nature. Some 340 of these districts have a student population density of less than 25 pupils per square mile. Most of these schools provide a sound basic education for their pupils, but many report they are facing unique problems as they strive to meet future needs and finance the increasing costs of education. Rural schools serve a dual role. They must not only provide for the educational needs of their students, but they must assume a key role in the life and vitality of the communities they serve.

Education is, of course, only one element of rural development, but it is a force that shapes the others. Schools are not the only institutions which provide learning environments in

rural communities. Libraries and museums provide lifelong learning opportunities to citizens of all ages. I believe that the people of New York State can be proud of the efforts the State Legislature, the Board of Regents and local communities have undertaken to improve education and other lifelong learning opportunities in our State, but a great deal more remains to be done.

We have evidence of increased migration to many rural localities in New York State. The small community and the small elementary school are popular with an increasing number of parents. Older populations are also continuing to flow into rural areas, as retirement life in rural areas gains in appeal. Rural schools, libraries and museums are the focal point of community life for young and old alike. These institutions are the repository for the social activities and cultural enrichment. Where community pride in schools, libraries, and museums is prevalent, a very positive educational climate results.

However, there are also a number of weaknesses and problem areas in rural education. Educational opportunities for individuals with special needs like literacy and job training are less likely to be available in rural areas than urban ones. Students in rural school districts, for a variety of reasons, are not as likely to attend college as their suburban counterparts.

In recognition of the special needs of rural New York State, the Legislature created a Commission on Rural Resources and an Office of Rural Affairs to address issues concerning rural

development and education, and to encourage rural initiatives. The Board of Regents and the State Education Department have designated an office to provide technical assistance and other support services directly to rural school districts. The New York State Library, the State Museum, and the State Archives and Records Administration each offer such services to their rural constituents. These efforts, and others, in our State are dedicated to the development and revitalization of rural areas by identifying their unique needs and problems and formulating policies and programs to meet these needs. Creation of these offices provides expertise and information to rural communities and rural schools to help them prepare and implement strategies for economic and social development.

For example, the Legislature has created a grant program whereby schools can develop strategies to pool resources and share programs and services. The Education Department has also funded pilot programs whereby school districts seek means to better integrate the schools with the community and create a school-community partnership. The Division of Library Development of the New York State Library is examining educational alternatives to train and certify persons working in small, rural libraries.

Although different in its focus, the Federal role in these efforts is equally important. Only the Federal government can effectively address rural problems across state lines, like chronic poverty, human services and equal educational opportunity.

Among the areas which we believe the Federal government should assume a stronger role in rural education are:

1. Increased support for research and development in rural education.
2. More direct assistance in developing distance learning and other forms of technology to support the delivery of services in rural areas.
3. Increased emphasis on literacy and job training for adults in rural areas.
4. Continued support for library services, public library construction, library-resource sharing and technological access to information.

More current and extensive research is needed to assist with development of rural educational policy at the Federal, state and local level. The goal would be to provide high quality, widely disseminated research designed to assist in efforts to identify problems and improve rural education.

Historically, very little research of national scope has been conducted which focuses on the diversity and special needs of rural schools and cultural institutions. Policies based on data gathered in suburban and urban settings often do not address rural problems. There are unique problems of education in rural and isolated areas. Systematic research must be undertaken which deals specifically with these matters.

Of more than 15,000 school districts in the United States, approximately three quarters enroll fewer than 2,500 students; more than half enroll fewer than 1,000 students. It has been estimated that approximately a quarter of the nation's total school enrollment attends rural schools. As noted earlier, similar figures are indicated in New York State.

Small rural schools pose serious policy making dilemmas for the states, because there is an extremely limited knowledge base about rural education. Researchers have repeatedly pointed out the absence of baseline data regarding the financing and delivery of educational services in rural areas. The recent reform movements in American education have been largely silent about disadvantaged conditions in rural schools and possible remedies. Most of the effective schools research and strategies to promote the quality of education have focused on suburban and urban schools and cultural institutions.

Establishment of a national research program to provide policy makers, both at the Federal and state levels, with ready access to timely information about the evolving needs and characteristics of small rural communities would enable resources, both human and fiscal, to be more effectively utilized in meeting the needs of rural learners.

There is also a need to support research of a national scope which will provide direction and recommendations for development of specific programs to improve rural education services. Research and demonstration projects which will help us to understand better

and capitalize on the unique role that small rural schools and cultural institutions play in maintaining and stimulating the economic and social vitality of rural regions are a critical need.

Another problem facing all rural schools is sparsity. Where there are few students and large land areas, it is difficult to bring enough students together in one location to create the critical mass necessary to operate a broad based secondary education program. Enhanced graduation requirements and the inability to attract qualified teachers in more specialized areas compound the problem.

One of the ways in which rural communities can address the problem of providing quality instruction is through the use of two-way interactive telecommunications systems, or distance learning. Using cable, microwave fiber-optic and satellite systems, remote sites can be linked with one another, allowing simultaneous exchange of voice, video and data transmissions. The result is that a teacher in one location can provide instruction to students in several other schools located miles away. In addition, the teacher and students can exchange information using a facsimile machine or computer. Many believe that two-way interactive television has the potential of offering the same level of instruction as a traditional self-contained classroom.

However, development of an effective interactive instructional network is an expensive, complex and demanding process. For this reason, locally self-supported planning and implementation efforts have not achieved universal success. Stronger Federal support is

needed to develop these networks and ensure that rural residents have access to quality education and training.

With extensive Federal support, both in terms of research and fiscal resources, states could be encouraged to undertake planning initiatives which would yield valuable information about the cost-effectiveness and performance of various systems. We believe that development and support of telecommunications planning has tremendous potential not only for strengthening the schools in rural areas, but also the communities wherein the schools are located.

Another area of great need is that of adult education. It is clear that adults in rural areas lacking basic literary skills and vocational training skills do not have the access to the training programs and support services available to those in more densely populated areas. A greater targeting of funds and programs would assist in alleviating this problem.

Unemployment and the attendant poverty in rural America is not being given the attention it deserves. While in earlier times rural unemployment rates were lower than those in metropolitan areas, that is no longer true. For the past decade rural unemployment and poverty rates have been higher. The problem of homelessness in rural American goes virtually unnoticed.

The gap between the numbers of individuals in rural areas and those in metropolitan areas completing high school has remained at the same level for the past twenty years. The gap in rural versus metropolitan college completion rates has widened.

A high quality workforce is critical to rural economic development. The agricultural and manufacturing work sectors in rural areas are declining. Service industries now generate the majority of employment opportunities. Young people entering the workforce must be properly prepared, current workers must maintain their employability, and displaced workers must be provided with skills to help them get new jobs.

The transformation of rural economies demands additional resources to retrain workers. While the need for worker retraining exists throughout our nation due to industrial restructuring, achieving this goal in rural areas is more difficult. The smaller size, more dispersed settlement and greater geographic isolation of rural communities makes it more difficult and more expensive to provide educational services.

Federal assistance, like the Job Training Partnership Act, is very beneficial. However, we believe more support of this nature is necessary, targeted at rural areas. In assessing the need for continued Federal training resources to non-metropolitan areas, it is vital to consider the special conditions in rural areas, and to direct resources accordingly in order to strengthen economic development.

I thank you for this opportunity to share in your efforts to enhance the quality of life in rural America and, more specifically, the quality of education in rural schools which must play a vital role if this objective is to be reached.

TESTIMONY BY GORDON CONKLIN, EDITOR OF AMERICAN AGRICULTURIST MAGAZINE, TO THE HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT ON SEPTEMBER 11, 1989--LEROY HIGH SCHOOL, LEROY, NEW YORK.

I appreciate the opportunity to share opinions with this congressional group.

It is my understanding that you are especially addressing the questions of how to bolster rural economies, and to improve the quality of life for rural residents.

I'm sure you will be besieged with ideas involving the sending of billions of federal dollars to the Northeast for a variety of programs. But let me share with you very briefly some thoughts on the larger picture of economic and social development--which inevitably impact rural development in the Northeast.

1. The level of savings in these United States is too low to long sustain a capitalistic system. I see a pressing need for two things:

a) Revising the law regarding IRA contributions to encourage more widespread use of this tax-deferred method for funding personal retirement programs.

b) Reinstating some level of tax exemption for capital gains.

Both of these steps encourage both savings and economic activity. They stimulate individuals to help themselves.

2. Education remains the primary pathway to individual and collective progress. It seems to me that recent decades have seen marked decline in some key life skills: Motivation, maturity, judgement and self-discipline. Organizations such as 4-H and the FFA help develop those constructive life skills--and offer potential for being especially helpful to rural young people.

The Extension Service, with its proven skills in helping people grow in their capacities to cope, is an adult education organization that can do much in stimulating improvement in rural living and the rural economy. Federal support for Cooperative Extension has been waning of late, but it is an investment of proven merit.

3. Large numbers of American families, as well as federal political leadership, seem incapable of balancing their budgets. But there is a wealth of formal economic research, as well as historical precedent, to indicate the long-term desirability of balancing both public and personal budgets.

The fallout from chronic budgetary meltdown is negative to the long-run economic interests of all U.S. citizens. And the example set by political leaderships helps set the tone for individual attitudes across the nation. Rationalize it as we will, budgetary excess enervates our societal agenda.

4. It is my opinion that the most serious long-range challenge faced by rural landowners in the Northeast is the growing tendency by the rest of society to take property rights without adequate compensation--or with no compensation. The courts have generally been of more help in protecting those rights than have legislative bodies. Long-range investments in economic activity involving land rest upon secure property rights.

All levels of government--federal, state, county, and local--are involved in the taking of land. Most landowners realize that there are societal agendas beyond those of the individual--but simple justice demands compensation for the taking of property rights. Both quality of life and economic development in rural areas are highly correlated with a sense that government at all levels will "make the individual whole" when those right are taken or diminished.

5. Finally, I suggest that any federal funds authorized for rural development be issued on a cost-sharing basis, rather than in outright grants. It seems to me that each state or local government should be challenged to match federal monies--thereby helping to insure a higher level of local responsibility and concern.

I observe that this principle is fully functional within families--when someone receives something for nothing, then the level of both appreciation and responsibility tends to also be nothing.

I use these as examples of opportunities for the Congress to stimulate general economic activity through the encouragement of the individual, rather than just selectively distributing the public largesse at your command.

There is enormous talent among the people who live up and down the highways and byways of the land. By appropriate stimulation--and the minimizing of bureaucratic restraint--economic activity and quality of life can be enhanced primarily by the ingenuity of rural people themselves.

Statement submitted to the House Agriculture Subcommittee on Conservation, Credit and Rural Development, September 11, 1989, at the LeRoy High School Auditorium, LeRoy, New York by the Honorable Thomas R. Frey, County Executive, Monroe County, Rochester, New York.

Thank you for the opportunity to comment on the needs of the rural Northeast and how the federal government can best address them. I am Thomas R. Frey, County Executive, Monroe County, New York. I am the chief administrator of a county with a population in excess of 700,000. Although Monroe County would be characterized as an urban county, it has a large area, including several towns and villages, that are characteristically rural and face problems common to rural areas throughout this country. Monroe County also lies at the center of a distinctly rural region. Rural people, communities and issues represent an important segment of our county and region.

As with many rural areas throughout the country, rural areas within the nine county Genesee/Finger Lakes Region, of which Monroe County lies at the center, have experienced, over the last decade, a rise in the level of poverty and unemployment compared with that found in the region's urban areas. This can be attributed to the occurrence of a restructuring within manufacturing and agriculture based industries -- the mainstays of this

region's rural economy. Many rural communities have been unable to respond to the rising challenges of fundamental changes within society as we turn to an information and service based economy.

It is both appropriate and necessary for the federal government to address these critical issues. Many of the problems are national in scope and require the allocation of resources that are not available at the local level. I commend the Subcommittee on Conservation, Credit and Rural Development for taking a leading role in the movement to enhance rural development opportunities. It is essential that the citizens of rural communities have equal access to programs which promote economic growth within their communities. I also believe that rural development deserves a priority status and I encourage bipartisan support for the development of comprehensive rural development legislation.

As the Monroe County Executive, I enthusiastically support the development of rural development legislation which addresses the needs of rural communities. The legislation should work toward the development of a partnership between these communities and the federal government whereby development aid is directed equitably to all communities throughout the nation.

I believe that the initial rural development bill that has been passed by the Senate (Senate Bill 1036, Rural Partnership Act)

provides some excellent programs to address the needs of rural areas. With limited local resources, I agree that it is most important to place an emphasis on providing more access to credit for small businesses through revolving loan funds. Our county has been involved with revolving loan funds, both directly and through cooperation with the Genesee/Finger Lakes Regional Planning Council, and find them to be a very successful financing method as well as a proven way to leverage additional private funds while significantly spreading the risk.

However, I am not convinced that the proposed Senate bill adequately addresses some of the other significant constraints and problems faced by rural areas. Specifically, I believe the definition of rural areas as used within the bill may disqualify many deserving communities from accessing programs created by this legislation. The use of Rural Electric Cooperatives for program delivery is another major weakness in the Senate legislation. With no local offices within this region of the state, using the Rural Electric Coops as a mechanism for program delivery does not adequately meet the needs of the rural areas of Monroe County or other areas throughout this region of New York State. It is critical that rural development legislation contain a broad based and flexible approach to program delivery that will insure that every rural area in need of assistance has at least minimal access to the available programs. The eligibility criteria should be based on a broader definition of what comprises a

rural area such as that used to establish eligibility for programs created by the Farmers Home Administration. A large portion of Monroe County meets the FmHA definition and is therefore eligible for those programs.

Although the three-tiered approach of a revolving loan fund for small businesses, aid for water and sewer infrastructure improvements and aid to improve rural telecommunication systems is an excellent approach, the proposed Senate bill does not meet many important rural needs. There are many other critical issues that should be addressed in any comprehensive rural development legislation considered by Congress. Some problem areas that should be recognized include job training programs, transportation, child care, housing, health care, environmental protection, and family services. I realize that this can be a daunting task to address this wide range of issues, however, in the promotion of growth in rural areas each of these plays an integral part. If these issues are not considered, one likely outcome of a federal program to promote rural development would be the development of increased demands on local governments to meet these unfulfilled needs. This will be occurring during a time when most local governments are experiencing significant shortfalls in resources to meet the present demands.

In these times of fiscal constraint at every level of government, it is unrealistic to expect substantial new financial resources

to be committed to solve the myriad of problems that can be identified in both rural and urban areas in this country. I believe the key to the development of effective policy is to concentrate the efforts on the development of a program that sets modest goals and which utilizes existing resources to the greatest extent possible.

I sincerely hope that any rural development legislation considers the unique needs and characteristics of the Northeast. Unlike some other areas of the country, the lines between urban and rural areas are frequently blurred. The rural population is not usually isolated to any great extent from an urban population center and many rural communities are now serving as bedroom suburbs for urban centers. While these rural communities are becoming linked to the neighboring urban area this does not diminish the extent of the typical rural problems these communities experience. In fact, the growth that occurs as a result of exurbanization frequently exacerbates the problems of the rural communities as infrastructure capacity is depleted and land values escalate, creating greater problems especially for the communities' lower income residents.

Our more rural communities typically do not have the professional staff within local government that can adequately address the wide range of problems created by an influx of residential growth. The residential growth is often not accompanied by

commercial and industrial development that would help offset the cost of services demanded by an expanding population. The rural development program should work toward improving technical assistance to rural areas particularly in the area of growth management. The technical assistance could be delivered through the network of Cooperative Extension Associations and through the utilization of professionals from county or regional level planning departments. These technical assistance programs should be focused on expanding the leadership and technical skills of local volunteers so that they are able to adequately address local problems.

Federal legislation should also focus on improving access to available job options for rural residents. Training programs that will lead to year-round, full-time jobs for agricultural laborers and other seasonal employees is a key element in any rural development program. Rural workers must have an incentive not to seek out greater security and financial rewards of employment in urban areas. Rural students should have equal access to quality basic and higher education opportunities. Support should also be given to the continued establishment of a wide range of employment opportunities that broadens the economic diversity and employment choices for rural residents.

The essential link between adequate transportation and rural development cannot be overstated. As Chairman of the Genesee

Transportation Council, a cooperative regional organization with responsibility for transportation planning within the Genesee/Finger Lakes Region, I must also use this opportunity to underscore rural transportation needs. Our rural areas are no longer populated by extended families in which the more able-bodied can access goods and services as well as provide transportation for the infirm and elderly. What we see instead are isolated households made up of long-time residents who have simply gotten older and, with increasing age, find themselves incapable of providing their own transportation as they did before. At the same time as they become less able to travel, they find themselves in greater need of convenient access to critical services, not the least of which are medical and often found only in urban areas. We cannot turn our back on these needs nor should we suggest that persons be uprooted from their homes and moved to more convenient locations.

The federal government has not been unaware of the need for rural transportation and through both the 16(b)(2) and Section 18 Rural Transit Assistance Program, basic services have been provided. In this region alone, there is a wide diversity of approaches to transportation through our Rochester-Genesee Regional Transportation Authority's (R-GRTA) rural services and our own Genesee Transportation Council (GTC). What has been most lacking, however, is the ability to develop inter-county services which, given the service needs I just referred to, is a major gap. In addi-

tion to the city bus services serving our urban area, R-GRTA operates three different rural services in Genesee, Livingston, and Wayne Counties. GTC has been experimenting with what is known as a user-side subsidy to provide what are in essence transportation coupons to low income rural residents of western and southern Monroe County which are exchangeable for trips provided by a local taxi company under contract through the program. All four of these services are different in their approach, ridership targets, and means of delivery. Each, however, is an important ingredient to a total transportation package and that is the point I wish to make. Federal assistance for transportation, particularly rural transportation, must recognize both the magnitude of the problem as well as the need for flexibility in providing the service. In addition to the earmarked transportation programs, there is even more public money going toward the provision of transportation through various social services which must include money for transportation because without it, their clients would not be able to access the service itself. Indeed, the most effective services have been designed to lever these contributions for coordinated transportation services.

This whole situation cries out for coordinated planning and management. The federal government long recognized these needs in urban areas and incorporated such requirements through the Metropolitan Planning Organizations or MPOs. GTC is an unusual

MPO in that it embraces a nine-county region and has been able to bring some of this perspective to its member rural counties. We believe this experience has been healthy and we would recommend that you do not leave such assistance to chance. A regional and cooperative perspective benefits all participants whether urban or rural.

I also urge federal consideration to address infrastructure needs. It has been recently stated that federal outlays for infrastructure dropped from 10.9% of total non-defense spending in 1962 to 4.5% in 1987. Further, over 25% of interstate pavement was in deteriorated condition in 1985, and 30% of the nations bridges have passed the age of their average useful life. These issues are critical to both urban and rural residents. Inadequate transportation access severely limits the opportunities for economic development in rural communities. The rural development program being developed should closely examine the full range of problems that exist with rural infrastructure. I believe that it is essential for the federal government to become more involved in this looming national crisis. Priorities need to be set and resources need to be reallocated to overcome this problem.

One final area of local concern that I would like to mention is that of agricultural business development. Monroe County is within a region that is significantly affected by agriculture.

Over 50 percent of the land area in the nine county Genesee/Finger Lakes Region is devoted to the production of agricultural products. As a land use, a provider of economic diversity, community character and employment opportunities, agriculture is a key element within this region. The contribution of agriculture to the rural areas of this region extends beyond the limits of production of crops. Farms support many other local businesses and the processing and retailing of locally produced crops further enhance the contribution of agriculture to the rural economy. The agribusiness sector of this region, however, is experiencing a radical restructuring as consumer tastes change and other factors cause the consolidation of the local food processing industry. I believe that this trend and its potential effects on many rural agricultural regions should be more closely examined. Some thought should also be given to targeting some of the economic development aid directly to agricultural businesses that take advantage of locally grown products. This type of aid could be extremely beneficial to communities struggling to preserve their rural character and agricultural activity.

Thank you for the opportunity to bring these concerns to your committee.

SUBMITTED BY JOAN FULLER, UNITED WAY:

United Way of Greater Rochester

Housing Initiative Proposal

» A $1.4 million 5–year project to more than double the annual production of affordable housing in a five county region

» A United Way response to Greater Rochester Focus

Prepared September 1988

United Way of Greater Rochester

Housing Initiative

What Is the Housing Initiative ?

It is a United Way led effort to expand affordable housing for low income people, the elderly, and the handicapped living within the region including the counties of Monroe, Wayne, Ontario, Genesee, and Orleans.

Why Does the Supply of Affordable Housing Need Expansion?

Growing concerns about affordable housing are fueled by several factors.

Demographic changes that point to an increasing need include; the growth in the number of poverty households, particularly those headed by female single parents; the increase in the elderly population, and the increase in the number of handicapped adults living in the community.

Federal policy and budget changes of the 1980's resulted in a greatly diminished government role in meeting housing needs. As a result the necessary growth in subsidized housing units has slowed substantially, and a leadership vacuum on housing matters was created.

Other developments that threaten the exisiting supply of subsidized housing units include:

- the expiration of use restrictions and subsidy contracts on exisitng housing units built with federal funds that would push rents to prevailing market rates
- changes in Federal income tax law and City property assessment rates that confront landlords with higher costs for properties that are worth less- a situation that could lead to the abandonment of existing rental properties

These factors have been thoroughly documented in a recently completed community needs assessment sponsored by the United Way, the City of Rochester, and the County of Monroe– the **Greater Rochester Focus.** It's findings were reinforced by a housing market analysis done for the City of Rochester by Real Estate Research Corporation.

Discussions with United Way's area-wide partners in counties adjacent to Monroe found the concern about affordable housing to be one of regional proportions.

Is Anyone Doing Anything About the Need ?

The answer is a qualified yes. Voluntary community based efforts to address the need for affordable housing have grown. The void created by the Federal government's diminished role in housing has been filled, in part, by non–profit organizations called *community development corporations (CDC's)*. CDC's combine the dedication and energy of volunteers who are commited to housing concerns with the knowledge and skills required to plan, finance, build, and/or rehabilitate housing units. In a growing number of instances CDC's are also managing the units they create.

The Greater Rochester area is no exception to the mounting number of communities that can boast growth of active CDC's. A survey conducted in the course of designing our problem solving strategy revealed 13 CDC's that were actively involved in building housing units.

Local CDC's vary in size and expertise from a highly sophisticated four state operation that has developed hundreds of units to comparably smaller neighborhood focused organizations that carry out their work in cooperation with more experienced CDC's.

In addition to the 13 CDC's identified, other local organizations, active in the housing field, are considering involvement in buidling or rehabilitating units. The Bishop Sheen Foundation, and Neighborhood Housing Services are two examples.

Primary sources of support used by local CDC's for project financing are Community Development Block Grant funds, administered by cities and counties, and New York State's two multi-million dollar housing trust funds. Virtually all of the rural CDC's also receive funds from the Farmers Home Administration (FHA).

CDC's have also received support from local foundations, the banking industry, business, religious organizations, and the United Way administered Martin Luther King Fund.

The City of Rochester is considering recommendations from Real Estate Research Corp. calling for a stepped up effort to address the affordable housing issue, and the County of Monroe is embarking upon a housing market analysis that will help shape its direction with respect to housing concerns.

"Is anyone doing anything about the need?" Yes. However, the factors fueling current housing concerns are going to tax the capacity of local CDC's and the community as never before.

What Needs to Be Done ?

The primary goal of United Way's Housing Initiative is to strengthen the organized capacity of community development corporations. That's what we think needs to be done. It will require new commitments of resources to expand operating support and technical assistance for CDC's, as well as the development of a coordinated resource distribution system.

For the next five to ten years a strong network of CDC's represents are best hope for measurably impacting upon the need to increase the supply of affordable housing. They have the spirit and dedication, but they lack the support needed to increase their results.

The survey conducted of thirteen CDC's identified inadequate operating support as a key road block to increasing their success in building or rehabilitating housing units.

Inadequate operating support can signify many different things. For example it can mean the inability to;

...provide adequate training for staff,

...purchase and implement the use of computer hardware and software that could expedite project management and agency administrative functions,

...offer a compensation program sufficient to attract and/or retain housing development staff with the knowledge and skills required for success,

...begin a housing project, because of insufficient cash to meet up-front architectural fees, or to spend the required time to stay current on opportunities for project financing.

Problems of inadequate operating support do not always require a bigger budget to be solved. The solution sometimes rests in an agency's discovering better ways of using what they already have. The survey, however, clearly revealed the need for a combination of both approaches.

It is apparent that there is more money for project financing than there is for CDC operating support. It stands to reason, therefore, that if we can maximize efficiencies of current CDC operations through technical assistance, and expand operating support, we can tap more project financing and measurably increase the supply of affordable housing.

Can We Be More Specific About What We Will Accomplish & How ?

We want to measurably increase the number of affordable housing units constructed annually in the region. Last year that number was 300. The objective of the Housing Initiative is to more than double that number by the end of five years.

The key to achieveing this objective is strengthening the organized capacity of local community development corporations. This capacity building aspect of the Housing Initiative has three dimensions;

1. Coordination & Capacity Building Process:

   Discovering ways to better use the resources you already have is an important feature of the capacity building process. The United Way will support the formation and maintenance of a Housing Initiative Coordinating Council consisting of all participating CDC's, as well as housing planning, and funding agencies. The Coordinating Council will meet quarterly to assess progress, problems, new opportunities, and coordination issues; and to share information that would enhance CDC coordination and efficient resource use. Follow-up objectives will be set from each quarterly meeting to ensure that important coordination issues or problems identified are worked on and resolved.

2. Increased CDC Operating Support :

Up to four local Lead CDC's would be selected from among respondents to a Request for Qualifications (RFQ). Selection requirements emphasize experience and expertise in housing development, and track record in working collaboratively with other CDC's.

Each would be eligible to receive annual operating grants of up to $45,000 to hire and support an additional Housing Development Specialist, who would not only develop and manage projects for the Lead agency, but would enable the Lead CDC to enter into a formal technical assistance relationship with at least three others. At least two of these relationships would involve mentoring (sharing staff with the agency) or a joint housing venture.

Grant amounts for each CDC would be established annualy, based upon a review of proposed objectives and agency performance for the prior year. While the selected Lead CDC's would not be arbitrarily limited in terms of their geographic focus, we are anticipating the need to select up to four to insure an adequate distribution of effort over the City (1), Monroe County (2), and the eastern (3) and western (4) rural sectors of the region.

3. Housing Initiative Support Grants :

Grants would be made by the United Way from a centrally held Housing Initiative Support Fund ($50,000/year) for special one-time operating needs, and to finance out-of pocket costs for training and consulting services. Lead CDC's could request support grants for those CDC's with which they are formally engaged. Others, that are not connected in any way to a Lead CDC could apply directly. At the conclusion of five years, it is expected that the Support Fund could be discontinued or continue at a substantially reduced level. By that time it is anticipated that many of the one-time support needs local CDC's have would be met through such support grants and the capacity building process.

What Will the Housing Initiative Cost ?

Over the five year period beginning in early 1989, the Housing Initiative is expected to cost $1,327,990.

The base year annualized budget is estimated at $255,000, and would be trended forward for inflation at the rate of 4% per year.

The functional components of the annual project budget include;

1. Coordination & Capacity Building Process : **$25,000**
   United Way would employ a half-time project coordinator to staff the Housing Initiative Coordinating Council, the Support Grants allocations process, the process for developing/administering the CDC Self Assessment Guide, and for providing day to day project management. The cost estimate includes half-time salary ($15,000), plus fringes and office support costs.
2. Increased CDC Operating Support : **$180,000**
   Up to four local CDC's would be selected to receive an operating grant of up to $45,000, which would allow them to hire and support a housing development specialist.
3. Housing Initiative Support Grants : **$50,000**
   United Way would administer a centrally held Housing Initiative Support Fund. Grants would be made to CDC's for special one-time needs to strengthen and improve their operations. This particular cost component would not be trended annually for inflation.

Total $255,000

These projections do not include approximately $35,000 of in- kind contributions from United Way for project management/administration, and public/community relations.

What is the Proposal for Financing the Initiative ?

The process of enlisting supporters for the Housing Initiative began in the Spring of 1988, as the United Way prepared to submit a $100,000 grant request to the United Way of America. We are pleased that our proposal has been chosen as one of eleven finalists. Five from this group, which includes Phoenix, Chicago, Minneapolis/St. Paul, Columbus, Philadelphia, York County Pa.,Memphis, Houston, Seattle, and Pontiac Michigan, will be funded.

The United Way of Greater Rochester has commited $100,000 from the Wegman's United Give-A-Way towards a $330,000 five year requirement.

Interest in the project has been expressed by foundations, businesses, and governments. In order to be successful, the Housing Initiative will require a broad base of financial support.

Using the base year budget of $255,000 our plan is to seek support for the functional components as follows;

Coordination & Capacity Building Process

	Year One	Total for Five Years (+ 5%/year inflation)
United Way	$25,000	$138,140
Total	**$25,000**	**$138,140**

Increased CDC Operating Support

	Year One	Total for Five Years (+ 5%/year inflation)
City/County		
City	$25,000	$138,14
County	$25,000	$138,140
United Way	$35,000	$193,400
MLK Fund	$ 5,000	$ 25,000
Rural East		
United Ways (Eastern Region)	$25,000	$138,140
MLK Fund	$ 2,500	$ 12,500
United Way of America Grant	$17,500	$ 50,000
Other Local	$ –	$ 48,020

Increased CDC Operating Support (continued)

	Year One	Total for Five Years (+ 5%/year inflation)
Rural West		
United Ways (Western Region)	$25,000	$107,750
MLK Fund	$ 2,500	$ 10,000
United Way of America Grant	$17,500	$ 46,550
Other Local	$ –	$ 32,210
Total	**$180,000**	**$939,850**

Housing Initiative Support Grants

	Year One	Total for Five Years
Businesses/ Foundations/ United Way Am./ MLK Fund	$50,000	$250,000
Total	**$50,000**	**$250,000**
Grand Total	**$255,000**	**$1,327,990**

Why is the United Way the Appropriate Organization to Undertake This Initiative ?

There are several good reasons why. They include;

- **Mission** – Inherent to United Way's mission is the task of strengthening the organized capacity of local voluntary organizations to address pressing social needs. United Way has refined the performance of this task over the years in the areas of resource development, allocations, needs assessment, planning & problem solving, evaluation, and management assistance.

- **Geographic Scope** – United Way's regional operations throughout a six county area provide it with a unique ability to organize initiatives on problems that are not isolated to one political jurisdiction or another. In addition, its cooperative relationships with United Way organizations in the six county region provide multiple bases of support for addressing the issue effectively in ways that acknowledge the diversity of needs and opportunities within each community.

- **Experience** – Since the early '70's United Way has maintained a Housing Committee whose membership has included volunteers from City and County Community Development Departments, the Rochester Housing authority, organized labor, business, banking, and the Center for Governmental Research. The Committee administers the $1.1 million dollar Martin Luther King Fund, which provides loans and grants for low-income housing development. The fund has revolved three times, and has stimulated more than $17 million in other public and private investments in affordable housing projects.

  The Committee serves often as a bridge between public and private housing sectors regarding community housing policy by studying housing issues, conducting community forums, and making recommendations to other United Way committees on housing related matters.

A needed boost for low-income housing

Providing affordable housing for the poor is a Rochester-area problem that's yet to be solved. Not that organizations aren't trying: At least 13 non-profit agencies in a six-county area are involved in finding low-income housing.

But their efforts have fallen short. Greater emphasis on obtaining available funds for housing construction and rehabilitation is needed.

Enter the United Way of Greater Rochester with a better idea. The United Way plans to establish a $1.2 million fund to help organizations find the money. The fund will be made up of $100,000 from the United Way plus money from government and businesses, foundations and other sources.

Over a five-year period, the United Way plan hopes to double the number of new low-income housing units built every year — from 300 to 600.

It's a worthy goal, one that reflects concern by the Rochester community for the poor. United Way's helping hand is most welcome.

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SPEAKING OUT

By James R. Bresse

In June the annual Homearama was held in Pittsford to give local builders a chance to show off their products.

The price range of most of the houses was between $200,000 and $560,000.

The crowds loved them, but for many, the whole experience was something like going to an art show and admiring beautiful paintings they could not afford: enjoyable but frustrating.

Events such as Homearama are vivid reminders to all of us of the serious lack of affordable housing in this community and of the failure of those in positions of responsibility to do enough about it.

AFTER A 40-year upward trend, the national home ownership rate has been declining since 1980, with almost 2 million fewer families owning homes.

What is happening here? Have we become a comfortable, uncaring generation that, having achieved the American dream of owning a home, would now deny the next generation the same opportunity?

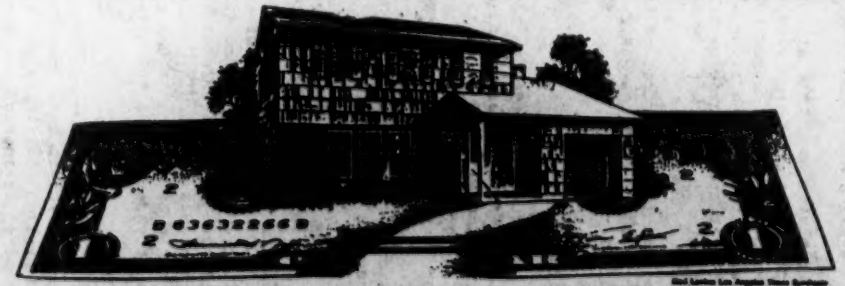
I don't think that is the attitude of a vast majority but clearly there is a problem that requires immediate attention.

Many factors contribute to the high cost of housing.

We can point to builders who, perhaps quite naturally, are primarily interested in putting up $250,000 houses because the profit margins are considerably higher.

Financing agencies, through high mortgage rates and tough down payment requirements, have not been much help.

And don't forget government, especially local government, which for political reasons is loathe to become involved in housing issues of any kind.



Staff Artist Los Angeles Times Syndicate

AFFORDABLE HOUSES

Let's not price our children out of the market

In some cases municipalities themselves have helped drive up the price of houses by rigid zoning and building requirements that also have the effect, perhaps intentionally, of excluding any potential buyer who can't afford a house over $150,000.

IN HENRIETTA, we have many fine neighborhoods with houses valued as high as $300,000. We also have some distinctly subsidized housing units, although, contrary to general opinion, less than some surrounding towns.

A large part of our town was built under a previous government "affordable housing" program of the 1950s called the Of Hill, which had widespread public acceptance.

Now in the 1980s there is again a critical need for affordable housing, in many instances affecting the children of those same people who benefited years ago from previous government-assisted housing programs.

I often hear from young couples who grew up in Henrietta and want to stay where their roots are. But even though they have a decent income, they cannot buy a house in their home town. This is certainly not unique to Henrietta.

The town recently authorized Candler Development to seek a grant from the New York State Affordable Housing Corporation to construct up to 100 owner-occupied moderate income housing units in the Riverton area.

While this program has been available for a number of years and has been widely utilized around New York state, until now there was little interest in it in Monroe County. Maybe this tells us something about ourselves.

The moderator of this particular program was relatively simple. An approved builder receives a grant for each house he builds.

The house must meet all building codes and zoning requirements. The grant is passed on to the buyer as a reduction in the cost of the house. So, on an average $80,000 house, the buyer might pay $60,000 and the Affordable Housing Corporation $20,000, all of which ends up making the mortgage affordable.

WHEN the *Times-Union*, in reporting this, ran the headline "Subsidized housing proposed in Henrietta" I knew I would receive a few interesting calls.

"Subsidized" means different things to different people.

One individual said he didn't approve of subsidized housing. However, he had an FHA mortgage on his house which, as I pointed out to him, was just another form of direct government assistance. Another person living in a public rental housing project for senior citizens said she didn't want any more public housing in Henrietta, which this isn't.

Then there was the individual who was worried about "what kind of children" his children would have to play with! I assured him they would probably be playing with children whose parents make $25,000 to $30,000 per year, the income requirements for this particular program. He felt better, I guess.

GENERALLY, attitudes of most people seem more positive and less violent on affordable housing than on some other housing issues, such as public housing.

The solution to the different problems of the shortage of public rental housing for truly poor people is not as simple. This is primarily because residents of established neighborhoods view such housing as a direct threat to property values, public safety and their quality of life.

That perception, not without some basis in fact, makes it more difficult for headway to be made on that issue.

But well-planned, affordable housing programs for new home buyers will be supported by Monroe County residents if they are properly explained and marketed.

In cooperation with the private sector, elected officials in all municipalities must finally show some initiative and leadership on this critical issue — not only because it is the right thing to do but also because, if they don't, the decision-making powers might some day be taken away from them by non-elected judges, as is now occurring in other places.

We must not allow that to happen here.

Bresse

Bresse is Henrietta supervisor.

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UNITED WAY HOUSING INITIATIVE

CDC Profiles

There are thirteen CDCs serving the Greater Rochester area that are developing low income housing. They vary in size and expertise from a highly sophisticated four-state operation that has developed hundreds of units to comparably smaller neighborhood organizations that carry out their work in cooperation with more experienced CDCs. Most of the city housing constructed to date by the smaller CDCs has been single family "in-fill" structures.

The information that follows was gained from Executive Directors of the organizations listed. Those that have received loans from the MLK Fund are asterisked.

1. Organizations Serving the Rural Areas

Rural Opportunities, Inc.(*) --It was founded in 1969 to serve the employment and housing needs of migrant farm workers througnout New York State. It has succeeded in securing millions of dollars in assistance from the Federal and State government for the benefit of farm workers. Activities now cover four states, but its first priority area is the non-metropolitan areas of the six counties included in this proposal. In this area, RO has constructed 316 units of housing. It is currently constructing or rehabilitating another 130 units.

Community Action In Self-Help, Inc (*). -- Created in 1970 with the assistance of VISTA organizers and Rural Opportunities by families interested in self-help housing. It provides advocacy counseling, packaging of home improvement and single family mortgages and grants, development of low income apartments and single family houses, to residents of Wayne and Northern Ontario Counties. It has constructed and rehabilitated 313 units. Presently developing 150 units.

Genesee Valley Rural Preservation Council, Inc. -- Established in 1982 by the Livingston County Coalition of Churches to promote neighborhood redevelopment; stimulate economic development; plan, construct, and operate housing and related facilities and services for persons of low or moderate income in Livingston and Wyoming counties. Has developed 10 units of housing, which it manages, and served as a general partner for an additional 36. Presently developing 52 units. In addition to developing and managing low income housing, it rehabilitates commercial units, provides home ownership counseling, administers an affordable home improvement program, and provides technical assistance to municipalities and organizations.

Housing Development Council of Orleans County (*). -- Established in 1978 as a Rural Preservation Program to increase and improve the housing stock of Orleans County and to provide counseling to home owners and renters. Has provided loans to "hundreds" of home owners for rehabilitation. Presently building 50 houses to be sold to low-income residents and rehabilitating an additional 35.

Community Unified Today (*) -- Is a coalition of Geneva (Ontario County) churches and community organizations formed in 1974 to advocate for the housing, employment, educational and recreational needs of Geneva's low-income and minority population. It has rehabilitated 7 units, of which it manages 5. It is presently constructing or rehabilitating an additional 28.

Orleans and Genesee Rural Preservation Corp. -- Founded in 1981 by Orleans County Action Committee to address housing needs of low-income persons in two counties. Has provided home improvement loans to 180 families and rehabilitated 1 house. Presently constructing 48 units for seniors, and 18 for families.

2. Organizations Serving Monroe County

County-Wide

Housing Opportunities, Inc (*). -- Founded in 1983 by the Housing Council, city, county, legal services attorneys, foundation representatives, community representatives, and the Landmark Society to develop limited equity cooperative housing. Since then, purposes have been expanded to more general low-income housing development and technical assistance to others interested in developing low-income housing. Through the Housing Council, it provides counseling for first time home buyers, pre-occupancy screening and counseling, and resident training and counseling. HOP has constructed and rehabilitated 33 units, including 15 cooperative units (stock is sold, not the actual units) and 18 rental units. It manages none. Presently rehabilitating 61 additional units.

Urban League of Rochester Economic Development Corporation(*). -- Founded in 1985 as a wholly owned subsidiary of the Urban League. Objectives are to increase home ownership opportunities for families, physically improve inner-city neighborhoods, invest public and private dollars in economically depressed communities and empower minority contractors. Has constructed 10 single family dwellings, and it is currently constructing an additional 27.

Flower City Habitat for Humanity, Inc. (*) -- An affiliate of the International Habitat for Humanity Organization, it was founded in 1984. Habitat builds and rehabs homes for low-income families with volunteers and "sweat equity" from home applicants. They solicit supplier partnerships that help reduce costs. Homes are sold at no profit to buyers who are given 20 year no interest mortgages. Has completed 5 units to date, and is currently working on another 3.

Neighborhood Based

Marketview Heights Association, Inc.(*) --Founded in 1976 by the residents of the inner-city neighborhood to fight deterioration and fight for money to be put into the area to upgrade it. In addition to developing low/moderate income rental units in cooperation with Housing Opportunitites and single family homes to be sold to moderate income families, the agency provides advocacy and referral services. Has constructed 14 units and rehabilitated another 2. It manages none. Presently constructing an additional 3 homes for sale.

ISLA Housing Development Corporation. -- An Hispanic organization developed in 1974 to build a 160 unit housing development for low-income Hispanics. This building was recently sold to a private developer. ISLA is presently rehabilitating an additional 47 rental units.

The North East Block Club Alliance, Inc. -- Founded in 1978 by residents of this inner-city neighborhood to combat the problems of deteriorated housing, vacant houses, and increased crime rates. Provides advocacy counseling for first time home buyers, develops single family moderate income homes in cooperation with the Urban League and provides advocacy services. It is presently rehabilitating a 4 unit building, which it will manage.

Coalition of North East Associations, Inc. -- Founded in 1982 by Baden Street Settlement House to promote, organize, direct and carry on activities to maintain and improve the physical and economic environment of the neighborhood. Provides advocacy services, counseling to first time home buyers, rehabilitation workshops, counseling to renters, and development of low-income units. Presently working with the Urban League to build 12 single family houses to be sold to low-income families. Also rehabilitating 3 multiple dwellings for rental units.

WAYNE
Newark
Canandaigua
Geneva
ONTARIO
MONROE
Rochester
Geneseo
LIVINGSTON
Dansville
Medina
ORLEANS
Batavia
GENESEE

REPRESENTATIVE DAVID R. WRIGHT, CHAIRMAN
J. DENNIS MURRAY, VICE CHAIRMAN
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LAMARTINE F. HOOD
C. GUY RUDY
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Center for Rural Pennsylvania

A LEGISLATIVE AGENCY OF THE PENNSYLVANIA GENERAL ASSEMBLY
212 LOCUST STREET, SUITE 406, HARRISBURG, PA 17101 (717) 787-9555

DIRECTOR
WILLIAM R. GILLIS

ASSOCIATE DIRECTOR
EMILY GRUSS

August 30, 1989

The Honorable Louise M. Slaughter
Congress of the United States
1707 Longworth House Office Building
Washington D.C. 20515

Dear Representative Slaughter;

I am appreciative for the invitation to provide testimony to the House Agricultural Subcommittee on Conservation, Credit, and Rural Development. Unfortunately, I am unable to attend on September 11, 1989.

For your information I am enclosing a copy of a recent paper I prepared addressing federal rural development policy options from a northeast perspective. I would be most happy to meet personally with you or a member of your staff to discuss the ideas outlined in the paper.

You may also be interested to know of the activities of the Center for Rural Pennsylvania. We are a legislative agency providing a focal point for rural policy development. Recently the Center completed a series of Public Hearing within Pennsylvania on rural issues. Based upon those hearing we are in the process of establishing a priority rural agenda for the Commonwealth. I will be most happy to share this information with you as well if you desire.

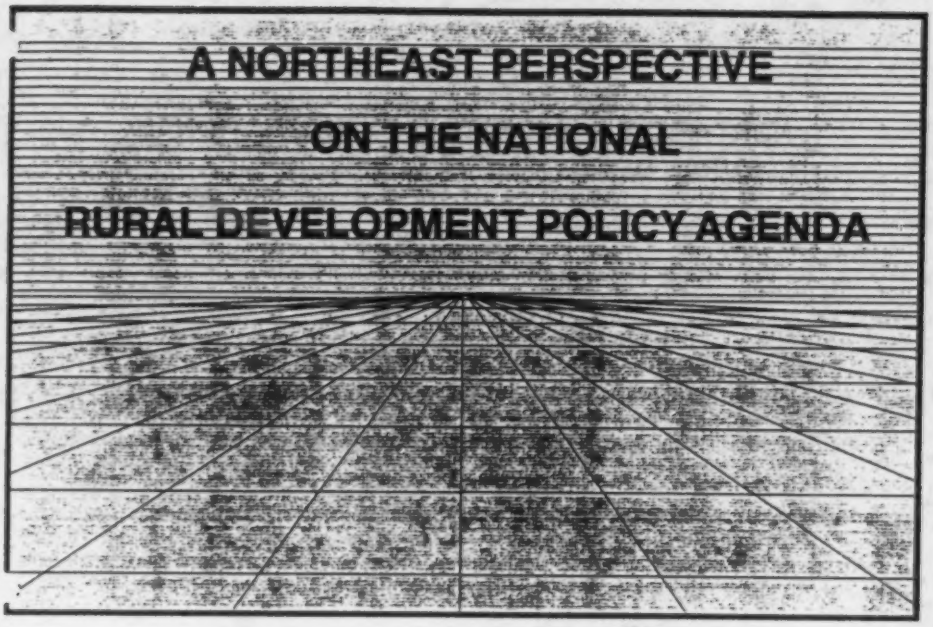
Once again I am very pleased to learn of your interest in rural development and appreciative to be invited to be a part of your efforts. If I can be of assistance to you in any way, please don't hesitate to contact me.

With kind regards,

Wm. R. Gillis

William R. Gillis
Director

(Attachment follows:)



Prepared for the Northeast Colloquium on Rural Policy

Washington, DC, June 14, 1989

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A NORTHEAST PERSPECTIVE ON THE NATIONAL RURAL DEVELOPMENT POLICY AGENDA

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A NORTHEAST PERSPECTIVE ON THE NATIONAL RURAL DEVELOPMENT POLICY AGENDA

William R. Gillis
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Approximately three-quarters of the nation's communities are classified by the U.S. Census Bureau as rural. These communities are home to 56.6 million Americans. While some rural areas are doing well, ***the average rural American has a lower income level, a greater likelihood of being unemployed, less access to health care, lower educational attainment, and a greater chance of living in poverty than their urban neighbors.*** Recent research documents that the gap in economic and social conditions in rural areas compared to urban centers has widened during the 1980's.

The growing compilations of disconcerting statistics comparing rural and urban conditions for the nation as a whole are also indicative of economic and social conditions for the northeast:

- Average unemployment rates in rural regions of the northeast have consistently been 1.5 to 2.0 points higher than in urban areas throughout the past decade.
- Rural per capita income is only about 75 percent of urban areas in the northeast.
- Thirteen percent of the rural population in the northeast have a four-year college degree compared to 18 percent of urban residents.
- Rural residents of the northeast region have less access to basic health care than their urban neighbors. For example, in Pennsylvania, there is one physician for each 2,000 people living in urban centers (excluding Philadelphia and Pittsburgh) compared to one physician for each 3,000 rural residents.

Northeastern public policy leaders at both the state and national levels are undertaking significant new initiatives to address the widening social and economic gap between rural and urban communities. For example, several states have already established rural legislative agencies or commissions, Governor's Office of Rural Affairs, or university affiliated research centers focusing on rural issues. The growing commitment at the federal level is illustrated by the introduction of the Rural Development Partnerships Act of 1989.

Our purpose today is to discuss elements of an effective national policy agenda addressing the priority issues facing rural communities of the northeast region over the next decade. My assignment in preparing this paper is to provide a framework for this discussion.

The task of discussing priority concerns for this region is complicated by the fact that there are essentially two rural northeasts. The first rural northeast are those communities under the economic influence of the Boston- New York- Washington D.C. growth corridor. These communities are struggling with environmental, social, and economic problems associated with rapid growth. The other rural northeast is communities located outside of the major eastern metropolitan growth corridor, primarily in the western half of the Mid-Atlantic and South Atlantic states. Many of these communities are suffering from long-term economic decline.

While the issues of priority concern are different in rapidly growing and economically troubled areas, ***rural communities of the northeast share several characteristics unique to the rural northeast.*** Recognizing these unique characteristics is important to the task of establishing priorities for a national rural policy agenda that will be beneficial to the region.

UNIQUE CHARACTERISTICS OF THE RURAL NORTHEAST

Summary of Unique Characteristics of the Rural Northeast

Economic Diversity
Population Density
Access to Population Centers
Fragmentation of Efforts

Economic Diversity

For many, the term rural is synonymous with an agriculture and natural resource based economy. Both agriculture and natural resource based industries are an important component of the rural northeast economy. However, businesses and industries not related to agriculture or natural resources are also key to the economy of the rural northeast. ***While an important policy goal for many mid-western and western states is rural economic diversification, many areas of the rural northeast have already achieved diversification.*** This is a major advantage for the region in future rural development efforts. The key policy consideration for the region is that rural development programs must be broad based and flexible enough to accommodate the diverse range of economic activities in the region.

Population Density

Widely dispersed populations are a serious barrier to rural development. For example, public facilities and services including roads, sewer and water systems, educational institutions, family services and public transportation each play a key role in supporting rural development. The "public" nature of these facilities and services means that the cost per taxpayer goes down as population density increases. Consequently, small rural communities with their relatively small population base are generally at a disadvantage relative to urban centers in providing public facilities and services supporting economic development.

While the problem of dispersed population is a problem for the rural northeast, it is typically less of a problem than for other regions of the nation. ***The rural northeast is characterized by numerous small towns, boroughs, townships, and villages. In general, these communities are in close proximity to each other and more densely populated than rural areas of the west or midwest.*** While higher population density can be viewed as a problem by rapidly growing rural communities, on balance it is an advantage for the rural northeast in undertaking successful rural development efforts.

Access to Population Centers

A major asset for rural development in the northeast is that most rural residents live in reasonable proximity to population centers of 5,000 people or larger. These larger communities scattered throughout the rural northeast are centers of opportunity for both employment and services.

While it may not be feasible to provide adequate employment opportunities and services in every rural community, most people living in the rural northeast live within commuting distance of an area with a large enough population base to support business development and essential services. The chances of successfully accomplishing rural development goals in the northeast can be enhanced by focusing job creation and service development efforts on larger population centers located within rural regions and linking residents of smaller communities to opportunities in these centers.

Fragmentation of Efforts

Rural people have more local governments to interact with than their urban counterparts. ***Rural areas, with 24 percent of the population, have 75 percent of the local government units in the United States.*** While it is difficult enough to coordinate development efforts of separate governmental units within an urban area, the task of coordination is complicated exponentially in rural areas. The result in many cases is fragmentation of efforts and ineffectiveness in rural development planning and implementation.

Problems associated with fragmented local government efforts are particularly prevalent in the northeast. In general, smaller units of government including townships, boroughs, towns, and villages have significantly greater responsibilities in the northeast compared to other regions of the nation in planning and providing key public facilities and services. Policies and programs promoting stronger intergovernmental cooperation must be an integral part of rural development efforts in the northeast.

STRATEGIC RURAL DEVELOPMENT POLICY ISSUES FOR THE NORTHEAST

Because the rural northeast has some unique characteristics relative to other rural regions of the United States, the rural development policy concerns of greatest importance to the future of the region may also different. ***Important considerations for a national rural development policy agenda that is beneficial to the northeast region include:***

- *Local flexibility and capacity to utilize federal and state rural development programs is critical in accommodating the diverse needs of both rapidly growing and economically troubled rural regions.*

- *Rural development policy should promote better access to employment opportunities and services available in larger population centers scattered throughout the rural northeast.*

- *Preserving and enhancing the desirability of rural communities as a place to live is essential for the economic future of the rural northeast.*

Regional job development strategies flexible enough to accommodate the unique circumstances of the northeast should be included as a national rural development policy agenda.

Strategic Rural Development Policy Issues for the Northeast

Enhance Local Capacity to Utilize Existing Programs
Improve Access to Available Job Options
Preserve and Enhance the Livability of Rural Places
Encourage the Growth of New Jobs in Rural Regions

Enhance Local Capacity to Utilize Existing Programs

Many national programs directly impact rural development. Examples include programs administered by the U.S. Department of Agriculture, Department of Health and Human Services, Department of Housing and Urban Development, the Department of Labor, the Economic Development Administration, the Small Business Administration, and the Department of Education. Many additional programs potentially impacting rural areas are administered at the state level. ***Unfortunately, rural communities, residents and businesses do not always take advantage of programs already in place to meet their needs.*** The potential benefits of any new rural programs cannot be fully realized without first finding ways to improve the utilization of programs available to rural areas. ***Examples of what can be done include: strengthening leadership in rural areas, increase the effectiveness of technical assistance programs and recognizing unique rural circumstances in policy and program development.***

STRENGTHEN LOCAL LEADERSHIP

Federal and state programs are of little use to rural communities without local leadership to identify programs available to meet local needs and to oversee the implementation of those programs. Federal options for strengthening local leadership capacity in rural areas include:

EXPAND LEADERSHIP SKILLS TRAINING Seminars, workshops and courses teaching leadership skills to rural residents are often an effective means of creating a stronger leadership base in rural areas. The nation's land grant university system jointly financed by federal, state, and local governments offers one vehicle for providing such training.

MOBILIZE THE FEDERAL AGENCY NETWORK Thousands of rural residents are currently involved on boards of directors and advisory committees of federal agencies such as Rural Electric, A.S.C.S, S.C.S., and F.H.A. Systematic training and support of this network of volunteer leaders would provide a significant catalyst for expansion of rural development activities at the local level.

IMPROVE TECHNICAL ASSISTANCE TO RURAL AREAS

Rural communities rely heavily on volunteers and part-time professionals to plan and implement rural development efforts. Designing local, situation-specific, development strategies often falls to local officials who understand local needs but may not have the time or expertise to tackle the problems appropriately. Regardless of whether the problem is too much growth or economic decline, ***assistance in rural development education, planning and implementation is essential to help them make the wisest choices among development strategies.*** Federal options for improving current technical assistance to rural areas include:

INCREASE TECHNICAL ASSISTANCE PROVIDED BY FEDERAL AGENCIES Most federal agencies provide some level of technical assistance to communities supporting the implementation of their programs. However, few federal agencies currently have technical assistance programs designed specifically for rural needs. In all cases, the resources devoted to technical assistance for rural communities is small relative to the need. Expanded federal agency resource commitment to technical assistance is necessary to support the effective utilization of existing programs and any future rural development programs which may be put forward.

CONTINUE SUPPORT FOR REGIONAL CIRCUIT RIDING PROFESSIONALS Circuit riding professionals with planning, grantsmanship, and other technical skills supporting rural development efforts are both an efficient and effective means of providing necessary assistance within rural areas. Circuit riders are professionals who provide technical assistance to an assigned group of communities within a region. Federal resources currently support circuit riding professionals through Economic Development Agency sponsored regional planning districts and land grant university educational outreach programs. Unfortunately, rural development support provided by these organizations is small relative to the need in rural areas. Current regional circuit rider programs should be expanded with a greater emphasis on rural development needs.

CONSIDER RURAL NEEDS IN POLICY DEVELOPMENT STAGES

Existing federal and state programs are often underutilized in rural areas because the unique disadvantages inherent in rural areas is not taken into consideration at the policy formulation stage. Factors such as geographic isolation, lack of rural networks, high cost of service delivery and funding allocation criteria linked to socio-demographic makeup account at least partially for underutilization of existing programs in rural areas. One of the most effective ways of improving utilization of existing programs is to account for unique rural differences in the development of policy and program implementation strategies. Federal options to increase consideration of rural needs at the policy and programs implementation stage include:

ESTABLISH A LEAD FEDERAL RURAL DEVELOPMENT AGENCY Currently, responsibility for federal rural development programs are widely dispersed across numerous agencies and organizations. Establishment of a single lead agency or organization providing oversight for federal rural development programs would ensure rural interests are more frequently considered in development of policy and program delivery. Rural development oversight could be provided in several ways including centralizing the activities under a current agency such as U.S.D.A., establishing a new rural agency or authorizing a special assistant to the President acting much like a cabinet position.

IMPROVE THE AVAILABILITY OF RURAL DATA One reason why rural differences are not always taken into consideration when developing new policies and programs is that reliable data on rural social and economic conditions are often not available. The federal government has a comparative advantage in information gathering and dissemination and should continue to collect information on rural areas.

Improve Access to Available Job Opportunities

Policies and programs which promote better access to job opportunities which are available throughout the rural northeast are likely to provide more effective solutions to rural unemployment, underemployment and low income problems than policies aimed at creating new opportunities. Concern over access to available job opportunities should be a priority issue for both economically troubled rural regions and rapidly growing areas.

Even in economically troubled regions, there are often employment opportunities within reasonable commuting distance of most rural residents. Assisting rural residents in obtaining employment in surrounding population centers is often an effective response to high levels of unemployment and underemployment common in many of the smaller rural towns.

It is often assumed that economic growth is key to reducing unemployment and improving incomes of rural residents. However, numerous studies document that a significant proportion of new jobs created in rural areas are filled by new residents to the area rather than by long-time residents who may need the jobs. ***Creation of new jobs does little to solve economic problems if rural residents do not have the necessary skills, flexibility from family responsibilities, or transportation to obtain employment.***

Examples of what can be done to improve access to available job opportunities in rural areas include: strengthen rural education and training, improved availability of rural day care, and improved public transportation in rural areas.

EDUCATION AND TRAINING

Higher education and technical training will increasingly become a prerequisite for obtaining employment in tomorrow's economy. Half of all new jobs to be created over the next decade will require some level of education beyond high school. Frequent updating of technical skills is equally important as most workers entering the labor force today will retrain for entirely new careers at least three times over the course of their lifetime.

Rural residents, on average, have substantially less formal education than urban counterparts. The gap in high school completion has persisted at about 10 percentage points since 1960, and the gap in college education has actually increased over the past three decades. While there are substantial differences among rural school districts, on average, rural schools have fewer resources, less adequate facilities, and less experienced teachers than urban counterparts.

The problem of low educational attainment is compounded by a lack of effective skill training programs in rural areas. Factors such as geographic isolation, lack of professional support services, and funding constraints have led to an underutilization of existing training programs such as JTPA and vocational education in rural areas.

Meeting the substantial education and training challenge will clearly require a partnership between states and the federal government. Specific aspects of that challenge involve:

EXPAND RURAL LITERACY PROGRAMS In a recent Pennsylvania survey, nearly 25 percent of the rural businesses interviewed reported difficulty in recruiting workers with adequate reading, writing, mathematical and verbal skills. This growing problem of workforce literacy is shared by other northeastern states. Workers lacking basic literacy skills will find it increasingly difficult to obtain employment in an economy with growing literacy demands. It is unlikely that the problem of rural workforce literacy can be adequately addressed without funding and program support from the federal level.

ENSURE RURAL STUDENTS HAVE ACCESS TO QUALITY BASIC EDUCATION Basic education is key to rural students' ability to obtain jobs and successfully complete higher education programs. While there is significant variation among school districts, rural school districts, on average, devote less resources per capita to basic education than do urban districts. Because many rural school districts have limited tax bases, federal and state initiatives to assure equity of funding between urban and rural districts are needed if rural students are to have an equal opportunity to obtain a quality basic education. Public support for expanded distance learning technologies and incentives for quality teachers to seek employment in rural districts should be explored as a means of strengthening basic education in rural areas.

PROMOTE POSITIVE ATTITUDE OF PARENTS TOWARDS HIGHER EDUCATION The problem of low educational attainment tends to be self-perpetuating in rural areas as research has demonstrated that children of parents with low educational attainment are significantly less likely to go on for higher education than children of parents with college experience. Career and financial counseling demonstrating to parents the importance of higher education should be expanded to encourage more rural students to attend college. In addition to increasing the educational aspirations of rural students and their families, research has demonstrated that these programs significantly increase the chances that low income families will utilize existing federal and state student financial aid programs.

TAILOR JOB TRAINING PROGRAMS TO RURAL NEEDS Job training programs should be more specifically targeted to meet the needs of rural residents and rural businesses. Current job training programs tend to target economically disadvantaged populations. While continuation of programs for disadvantaged workers is essential, expanded programs facilitating career changes by mainstream workers are needed to prevent future unemployment and underemployment of these workers as a result of rapid technological advancements which are becoming an increasingly important part of our economy.

CHILD CARE

A second example of policy aimed at ensuring that rural residents are able to participate effectively in available job opportunities is child care. Women will compose about three-fifths of the new entrants in the labor force between 1985 and 2000. Much of the increase in the numbers of women in the labor force has come from women with children. The availability of child care is necessary for rural women with young children to participate in regular employment. ***With the increasing number of rural women entering the labor force, a national policy agenda supporting rural development in the northeast should:***

ENSURE RURAL WORKERS HAVE ACCESS TO ADEQUATE CHILD CARE Formal child care programs are virtually nonexistent in many rural communities. While numerous informal child care approaches including family and neighbor networks are present throughout rural America, innovative initiatives will be needed to strengthen the availability of child care and the ability of rural residents to participate in job opportunities within rural communities.

RURAL PUBLIC TRANSPORTATION

Increasingly, the availability of public transportation is an economic issue. Because local job opportunities are limited, rural residents often commute to area population centers to obtain employment. On average, rural workers in the northeast commute at least 20 minutes to their work site. ***Employment opportunities for families lacking an automobile are seriously hampered.*** The need for public transportation to employment opportunities in surrounding population centers is particularly great for low income families. Federal policy options for addressing rural public transportation needs include:

RESTORE FEDERAL FUNDING FOR RURAL PUBLIC TRANSPORTATION Government subsidies are a necessity for operation of rural public transit systems as less than 20 percent of costs associated with operation of rural public transit systems are recovered from riders. Approximately, one-half of those subsidies are from federal sources. In addition, older rural systems face major capital improvement needs including upgrading vehicles, office facilities, and maintenance equipment. Recent cutbacks in federal financial assistance are placing growing burden on state and local governments.

FACILITATE COORDINATION OF RURAL TRANSPORTATION SERVICE Many human service agencies in rural areas provide transportation services to their clients. However, it is not uncommon for these services to duplicate each other as vans from different agencies pass each other on the road. Federal and state agencies should systematically review any human service agency line items for transportation to see whether the service might be provided by a regional transit program. Where feasible, assistance should be provided to rural areas in coordinating regional transit services including in some cases use of school buses for nonschool activities.

ENCOURAGE BUSINESS TO PROVIDE TRANSPORTATION FOR EMPLOYEES Particularly in rapidly growing regions where workers are in short supply, businesses are increasingly busing workers from distances as far as 60 miles away. Federal and state programs are needed to encourage additional business transportation systems reaching out into rural regions with high rates of unemployment and underemployment.

Preserve and Enhance the Livability of Rural Places

Attracting and retaining residents is key to the future social and economic vitality of rural communities of the northeast. Rural residents contribute to a local community in two ways. First, those who commute to surrounding towns for work bring their paychecks home where they spend them at local businesses, thus providing for a broader tax base and contributing to the long-run economic vitality of the community.

Second, new residents represent income from personal investments, social security, and other government payments. A staggering 37 percent of all personal income in the rural northeast comes from these non-wage sources. Income from new residents can be as important as income from new businesses in supporting rural economies.

Some rural communities of the northeast are suffering from being too successful in attracting new residents. For these communities, preserving the livability of their area is crucial as excessively rapid growth threatens the very assets which attract new residents to the region in the first place. Key issues associated with the livability of rural communities include the availability of quality health care, housing and family services. A particularly important issue for rapidly growing areas is the preservation of the area's environmental resources.

HEALTH CARE

The availability of health care has an important influence on the desirability of a rural community as a place to live. Rural areas generally have less access to health care resources than do urban residents. Indicators which point to serious health resource needs in rural areas include: a smaller physician-to-population ratio in rural than in urban areas; the proportion of the poor who are covered by medicaid is much lower in rural areas than in urban areas; and a substantial proportion of the rural population is without a regular source of care. An alarming health trend of recent years is the closing of rural hospitals. Often these hospitals serve as emergency centers and backup for local physicians. These closings represent a real loss to the communities they once served. Three key federal options for improving rural health care include:

RESTRUCTURE FEDERAL MEDICAL REIMBURSEMENT PROGRAMS Medicare pays urban hospitals much more than rural hospitals for providing the same services. Similarly, rural doctors are usually paid significantly less for their services than urban doctors, despite the lack of any evidence documenting appreciably lower costs for rural practice. Current federal policies provide incentives for physicians to locate in urban areas. Reduced medicare payments are at least partially responsible for the trend towards closure of rural hospitals.

SUPPORT TRAINING PROGRAMS FOR RURAL HEALTH CARE PROVIDERS Providing quality health care requires physicians and nurses obtain frequent in-service education on the latest health care advances. Rural health professionals do not have equal access to continuing professional health care education as do their urban counterparts. Additional federal and state programs supporting continuing education for health care professionals are needed. Utilization of telecommunications technologies should be explored as a potential delivery mode for such programs.

CONTINUE LOAN FORGIVENESS PROGRAMS TO ENCOURAGE HEALTH CARE PROFESSIONALS TO LOCATE IN RURAL AREAS Rural areas typically have less health care professionals per capita than urban places. Federal loan forgiveness programs can provide important incentives to encourage medical professionals to locate in rural regions.

HOUSING

U.S. Census data documents a higher incidence of "substandard" housing in rural areas compared to urban places of the northeast. ***Improving the availability of quality housing at an affordable price can play a crucial role in attracting and retaining residents in rural communities.*** While rapidly growing rural communities are also concerned with the availability of quality housing, the issue of rising housing costs is often more critical. For example, in a rapidly growing rural Pennsylvania county, a house which cost $ 50,000 ten years ago now costs $ 150,000. Inflation of rural housing costs is making it difficult for low income and first time homebuyers to afford housing in rapidly growing rural areas.

Federal policy options addressing rural housing needs include:

ENCOURAGE BETTER UTILIZATION OF EXISTING HOUSING PROGRAMS IN RURAL AREAS Existing federal housing programs tend to be underutilized in rural areas. The largest federal housing programs are administered by the Department of Housing and Urban Development. Federal criteria used in allocating federal housing funds should be re-examined and modified to promote greater rural-urban equity in the allocation of the federal housing appropriation. Of particular concern are rural housing assistance funds administered by the Farmers Home Administration. These funds are not fully utilized in many states, even though a substantial need for better rural housing exists. New initiatives are needed to promote better utilization of F.H.A. housing programs and the appropriation for such programs should be expanded as necessary.

EXTEND THE LOW INCOME HOUSING TAX CREDIT ACT As public funds become more scarce, there needs to be incentives to encourage greater private sector involvement in providing quality housing for low income families. The Low Income Housing Tax Credit Act has been successful in encouraging individuals and corporations to develop and operate low income housing. Without further action by Congress, the appropriation for this legislation will expire in December of 1989.

FAMILY SERVICES

A broad range of services including counseling, youth development centers, drug and alcohol abuse programs, child care, crisis intervention programs, and libraries support rural family life and improve the attractiveness of an area to new residents and businesses. However, ***some evidence exists that rural areas tend to be underserved by family service providers relative to urban communities.*** Services which do exist in rural areas tend to be widely dispersed and administered by a large number of different agencies and organizations.

Federal policy options for improving the availability and quality of family services in rural areas include:

ENCOURAGE COORDINATION BY RURAL SERVICE PROVIDERS The federal government shares responsibility with state and local governments for financing many rural family services. These services are administered by a wide variety of local agencies and organizations and typically there is little or no formal coordination among service providers. The overall impact on rural communities resulting from limited federal and state appropriations for family services would be enhanced through policies encouraging local service providers to share office space, personnel, and services where appropriate. Federal and state line items for family services activities should be closely audited for opportunities to coordinate efforts and appropriate coordination should be encouraged.

SUPPORT INFORMATION AND REFERRAL NETWORKS FOR RURAL FAMILY SERVICES While many critical family services may not be available in smaller rural communities, they often can be found in surrounding population centers. Information and referral networks are an effective mechanism for matching rural residents with specific service needs with providers who can meet those needs. A national rural policy agenda should include provisions for establishment of a formal family service information and reforral network as well as federal cost sharing in support of that network. An existing organization which provides a logical focal point for such a network is the Cooperative Extension System.

ENVIRONMENTAL PROTECTION

Many people move to rural communities in search of clean water, fresh air, open spaces, low crime rates and uncongested highways. ***Particularly in rapidly growing rural regions of the northeast, these same rural assets which attract residents are being endangered by uncontrolled growth.*** Unless effective steps are taken to preserve the rural environment, the future social and economic vitality of many of these rapidly growing communities will also be endangered. A national rural policy agenda cannot fully serve the needs of the rural northeast without provisions for environmental protection.

Effective local leadership and planning in rural areas are key to managing negative impacts associated with growth. Several federal options for promoting more effective leadership and planning in rural areas were outlined above. Additional federal policy options facilitating the preservation of rural environmental resources include:

DEVELOP FEDERAL GUIDELINES FOR RURAL ENVIRONMENTAL QUALITY Federal guidelines are needed for achieving a balance between environmental protection and rural growth. For example, criteria needs to be established for evaluating the tradeoff between the need for additional business development and the potential for jeopardizing the water supply. Federal standards would provide more effective and unified administration of environmental policies for rural areas.

PROMOTE INTERSTATE COOPERATION IN ADDRESSING ENVIRONMENTAL ISSUES States share common resources including water and air quality. Federal leadership in promoting interstate cooperation in formulating and implementing solutions to shared environmental concerns is needed.

SUPPORT THE DEVELOPMENT OF NECESSARY INFRASTRUCTURE FACILITIES PROTECTING THE RURAL ENVIRONMENT Ensuring rural areas have access to infrastructure facilities including water and waste disposal systems is critical for preserving environmental quality in rural areas. A recent survey of the availability and condition of public facilities in rural areas of the country showed that the northeast region is most lacking in public water supply and waste treatment facilities. Federal cost sharing for maintaining and constructing environmental infrastructure facilities in rural areas is needed to meet the growing challenge.

Encourage the Growth of New Jobs in Rural Regions

Ninety-five percent of the nation's rural communities have a total population less than 2,500. While certainly not impossible, attracting new business and industry to these smaller rural communities is considerably more difficult than for places with a larger population base. A recent study of location decisions by manufacturing firms throughout the northeastern United States concluded that a community's chance of attracting a new manufacturing industry is reduced substantially when the population base falls below 2,500 residents. Population size was found to be a key determinant in explaining manufacturing location decisions for each of the 67 industries included in the study. Similarly, markets in smaller communities are often inadequate to support the development of more specialized retail and service businesses.

Like the rest of the nation, the rural northeast is made up predominantly of smaller rural communities with limited potential to attract new business and industry. Fortunately, within each of the region's rural counties, there is generally at least one and often several communities large enough to have substantial economic development potential. ***The key to successful rural economic development in the northeast is to focus job creation efforts in larger communities within predominantly rural regions, while linking residents of smaller rural communities to the newly created opportunities in these centers.***

This does not, however, imply that the economic development needs of smaller rural communities should be ignored. ***Residential based economic development should be encouraged in smaller communities building on economic growth in nearby regional employment hubs.*** The goal of residential-based development is two-fold. The first goal is to improve the "livability" of the community and improve access of residents to job opportunities available in surrounding population centers. Specific federal initiatives supporting this goal have already been discussed.

The second goal of residential-based development is to maximize the impact of residential development in small towns through development of small retail and service businesses serving the needs of local residents.

Appropriate federal policy options in support of job development efforts in the northeast include:

ESTABLISH A NETWORK OF REGIONAL EMPLOYMENT HUBS At least one regional employment hub should be identified within predominantly rural counties. These communities should be given preference in state and federal job development programs. Concentrating job development efforts on those communities with the greatest economic development potential can substantially increase the return from tax dollars spent on rural job generation efforts.

TARGET SMALL BUSINESS ASSISTANCE TO SMALLER RURAL COMMUNITIES Development of small retail and service businesses is a key component of a successful residential-based development strategy for smaller rural communities. While several current federal initiatives provide small business development assistance, these programs tend to focus on urban needs. Small business assistance programs specially designed for rural areas are needed.

ENSURE RURAL AREAS HAVE ACCESS TO ADEQUATE BUSINESS SUPPORT INFRASTRUCTURE Roads, bridges, water and waste disposal systems, airports and railroads each play an important role in supporting rural economic development. In addition to these traditional infrastructure categories, telecommunications is increasingly becoming recognized as key to supporting business operations. The federal government should continue to share responsibility with state and local governments in ensuring rural areas are able to maintain existing infrastructure facilities and construct new facilities when necessary.

PRUDENT USE OF BUSINESS FINANCE PROGRAMS Credit subsidies and loan guarantees have been extensively used, and perhaps overused as the solution to rural economic development problems. Well conceived, potentially profitable ideas often attract venture and debt capital on their own. At times, too much emphasis has been placed on government subsidies and loan guarantees without enough emphasis being given to the tools for business survival.

Summary

Strategic Rural Development Policy Issues for the Northeast

Enhance Local Capacity to Utilize Existing Programs

Strengthen Local Leadership
- 0 Expand leadership skills training
- 0 Mobilize the federal agency network

Improve Technical Assistance to Rural Areas
- 0 Increase technical assistance provided by federal agencies
- 0 Continue support for regional circuit riding professionals

Consider Rural Needs in Policy Development Stages
- 0 Establish a lead federal rural development agency
- 0 Improve the availability of rural data

Improve Access to Available Job Options

Education and Training
- 0 Expand rural literacy programs
- 0 Ensure rural students have access to quality basic education
- 0 Promote positive attitude of parents towards higher education
- 0 Tailor job training programs to rural needs

Child Care
- 0 Ensure rural workers have access to adequate child care

Rural Public Transportation
- 0 Restore federal funding for rural public transportation
- 0 Facilitate Coordination of Rural Transportation Services
- 0 Encourage business to provide transportation for employees

Preserve and Enhance the Livability of Rural Places

Health Care

- 0 Restructure federal medical reimbursement programs
- 0 Support training programs for rural health providers
- 0 Continue loan forgiveness programs for rural health care professionals

Housing

- 0 Encourage better utilization of existing housing programs in rural areas
- 0 Extend the Low Income Housing Tax Credit Act

Family Services

- 0 Encourage coordination by rural service providers
- 0 Support information and referral networks for rural family services

Environmental Protection

- 0 Develop federal guidelines for rural environmental quality
- 0 Promote interstate cooperation in addressing environmental issues
- 0 Support the development of necessary infrastructure facilities protecting the rural environment

Encourage the Growth of New Jobs in Rural Regions

- 0 Establish a network of regional employment hubs
- 0 Target small business assistance to smaller rural communitites
- 0 Ensure rural areas have access to adequate business support infrastructure
- 0 Prudent use of business finance programs

CONCLUDING COMMENT

This paper has outlined elements of a national policy agenda addressing priority issues facing rural communities of the northeast. ***The national agenda is being developed against a political backdrop which makes it unrealistic to expect substantial new financial resources to be committed to rural development efforts. Consequently, the key for effective policy is to concentrate on initiatives which promote better utilization of resources which are available.*** Several such opportunities have been suggested in this paper as a starting point for our discussion.

Rochester Tel Center
180 South Clinton Avenue
Rochester, New York 14646-0700

716 777-1840

Alan C. Hasselwander
President and Chief Executive Officer

RochesterTel

September 7, 1989

The Honorable Louise M. Slaughter
United States House of Representatives
1707 Longworth Office Building
Washington, D. C. 20515

Dear Congresswoman Slaughter:

Rochester Telephone operates fourteen telephone companies in New York, Pennsylvania, Michigan, and Indiana and has agreements to acquire seven others in Illinois and Wisconsin. Along with other members of the United States Telephone Association, we fully and firmly support H.R. 2437/S. 1068, a bill allowing telephone companies to provide cable television services to their customers.

When Congress passed the Cable Communications Act of 1984, it did so with the expectation that competition would be prevalent and that cable service would become available in virtually all areas of our country. That expectation has not been fulfilled. Whole communities and rural areas still do not have cable service. Cable TV companies across the United States are unregulated monopolies, and many of them have raised prices unreasonably, discontinued popular programming, and responded inadequately to legitimate customer complaints.

H.R. 2437/S. 1068 would allow telephone companies to provide cable television to their customers. Telephone companies have a long history of reliable service to all areas of our land - urban and rural. Our companies are making major investments in fiber optic transmission facilities. If allowed to provide cable TV service, we know we can bring the benefits of that technology to consumers efficiently and provide quality and diversity not possible with older technologies.

I hope you will lend your support to H.R. 2437/S. 1068 and become a co-sponsor of the bill.

Sincerely,

Alan C. Hasselwander

Alan C. Hasselwander
President

Department of Environmental Conservation
Thomas C. Jorling Commissioner
Testimony Presented to the
House Agriculture Sub-Committee on
Conservation Credit and Rural Development
LeRoy, New York September 11, 1989

CONGRESSWOMAN SLAUGHTER, MEMBERS OF THE COMMITTEE, LADIES AND GENTLEMEN, IT IS INDEED A PRIVILEGE AND A PLEASURE TO PARTICIPATE IN THIS VERY IMPORTANT PROCESS WHICH WILL INFLUENCE THE DEVELOPMENT OF PROGRAMS AFFECTING RURAL AMERICA FOR MANY YEARS TO COME.

NEW YORK HAS MUCH IN COMMON WITH OTHER NORTHEASTERN STATES IN THAT "RURAL" REPRESENTS A VERY COMPLEX CONCEPT INVOLVING GEOGRAPHY AND DEMOGRAPHY. SMALL TOWNS, VILLAGES, SCATTERED RESIDENCES, FARMS AND EVEN LARGE TRACTS OF FORESTED LAND INTERTWINE TO CREATE A SUPPORTING PLASMA FOR THE CITIES THAT ALSO PLAY SUCH AN IMPORTANT ROLE IN OUR EVERYDAY LIVES.

EVEN AMONG OURSELVES THE NORTHEAST IS PERHAPS MISUNDERSTOOD IN TERMS OF ITS RURAL AND AGRICULTURAL COMPONENT. OFTEN THE EASTERN SEABOARD MEGALOPOLIS OVERWHELMS THE FACT OF OUR MILLIONS OF ACRES OF PRODUCTIVE FOREST, MULTI-BILLION DOLLAR FARM PRODUCTION AND OPEN SPACE BEAUTY THAT IS WORLD CLASS. WE CAN NEVER IGNORE THE NEED TO INFORM AND EDUCATE OUR URBAN COUSINS THAT HELPING TO SOLVE RURAL PROBLEMS TRULY BENEFITS EVERYONE.

RURAL DOES NOT NECESSARILY MEAN - "WITHOUT MANY PEOPLE." NEW YORK HAS OVER THREE MILLION PEOPLE WHO LIVE IN RURAL SETTINGS. MOST OF THESE FOLKS LIVE IN SMALL TOWNS AND VILLAGES WHERE THE NOTABLE CHARACTERISTIC IS AN ABSENCE OF CROWDING. MANY SAY THIS IS THE WAY TO LIVE, BUT MAKE NO MISTAKE THIS SPACIOUSNESS DOES NOT MAKE IT EASIER TO MEET THE NEEDS OF A MODERN SOCIETY. THE POPULATION OF THE RURAL NORTHEAST SHOULD NOT BE TREATED INEQUITABLY AS INDICATED BY ITS SMALL SHARE OF HUMAN RESOURCE PROGRAM FUNDS - LESS THAN 10%, ACCORDING TO A 1989 GENERAL ACCOUNTING OFFICE STUDY.

ACROSS THIS STATE AS ACROSS THE NATION, THE RURAL POPULATION IS CHANGING DIFFERENTLY IN DIFFERENT AREAS. SOME RURAL AREAS ARE GROWING AND EVEN SHOW ECONOMIC IMPROVEMENT, OTHERS HAVE STABLE POPULATIONS AND OFTEN LOWER INCOMES. A FEW AREAS SHOW AGRICULTURAL STRENGTH, BUT IN OTHER SITUATIONS COUNTY DATA SHOW FARMS GIVING WAY TO UNMANAGED FOREST AND RECREATIONAL HOME DEVELOPMENT. IN THIS LATTER CASE, COMMUNITIES ARE NOT EQUIPPED TO DEAL WITH THE ACCOMPANYING GROWTH PRESSURES. EVEN WITH TODAY'S HEALTHY NATIONAL ECONOMY, MANY RURAL AREAS HAVE YET TO PARTICIPATE.

24-380 O—90——52

THERE ARE FOUR BASIC ISSUES WHICH CHALLENGE US AND WE RESPECTFULLY PRESENT THEM TO THE COMMITTEE:

1. HAVING EMPLOYMENT OPPORTUNITIES OF SUFFICIENT NUMBERS AND REWARD TO REACH ALL RURAL RESIDENTS.

2. MAINTAINING INFRASTRUCTURE AND PUBLIC SERVICE THAT IS ADEQUATE AND COMPARES FAVORABLY WITH EXPECTATIONS.

3. SECURING PRICES FOR COMMODITIES AND NATURAL RESOURCES THAT ARE FAIR AND RECOVER COSTS.

4. PROTECTING AN ENVIRONMENT THAT REFLECTS AND MAINTAINS ALL THAT IS DESIRABLE IN THE RURAL SETTING.

THE NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION IS REGULARLY INVOLVED WITH RURAL ISSUES AND FREQUENTLY THIS INVOLVES A FEDERAL PRESENCE. WE RECOGNIZE THAT THIS COMMITTEE IS NOT DIRECTLY RESPONSIBLE FOR ALL THE PROGRAMS AFFECTING RURAL AMERICA, BUT THEIR CONCERN AND INFLUENCE IS A HIGHLY VALUED ASSET.

WE WORK STATEWIDE WITH EVERYONE FROM LEGISLATORS TO PRIVATE LANDOWNERS TO CARRY OUT OUR RESPONSIBILITY FOR NEW YORK'S 18 MILLION ACRES OF FOREST LAND. PROMOTING THE WISE USE OF THIS RENEWABLE RESOURCE CROSSES STATE BOUNDARIES AND BENEFITS ALL OF US. A NATIONAL STEWARDSHIP INITIATIVE IS APPROPRIATE AND WE URGE CONTINUED DISCUSSION TO RESOLVE TRADE INEQUITIES THAT ARE ESPECIALLY ONEROUS TO THE OVERSEAS MARKETING OF FINISHED PRODUCTS.

RURAL DEVELOPMENT, IN GREAT MEASURE, INCLUDES THE RECREATION AND TOURISM INDUSTRY. WE ARE PLEASED TO SAY THAT OUR EFFORTS TO IMPROVE FISH AND WILDLIFE HABITAT AND CREATE AND ENHANCE POPULATIONS HAVE HELPED INCREASE LOCAL ECONOMIES. FISHING, FOR EXAMPLE, GENERATES AND NURISHES A MULTI-MILLION DOLLAR INDUSTRY. WE HAVE BEEN ASSISTED IN THIS WORK BY FEDERAL PROGRAMS WHICH WE BELIEVE ARE SOUND INVESTMENTS. TWO IN PARTICULAR DESERVE CONTINUED SUPPORT: THE GREAT LAKES NATIONAL PROGRAM OFFICE AND THE GREAT LAKES SEA LAMPREY CONTROL PROGRAM. THE BENEFITS ARE MULTI-STATE AND EVEN INTERNATIONAL.

MAINTAINING A QUALITY ENVIRONMENT CONTRIBUTES TO RURAL DEVELOPMENT IN MANY WAYS. OUR WATER AND AIR AND PLEASING LANDSCAPES, FOR EXAMPLE, BENEFIT THE TOURIST INDUSTRY. BED AND BREAKFAST IS A GROWING INDUSTRY LARGELY BECAUSE OF THE AMENITIES WE HAVE PROTECTED. BUT THE JOB IS NOT COMPLETE. CONTROLLING NONPOINT SOURCE POLLUTION TO PROTECT OUR WATERWAYS CAN BE SUBSTANTIALLY ACCELERATED BY FUNDING SECTION 319 OF THE CLEAN WATER ACT TO COST SHARE MEASURES AND PRACTICES DESIGNED TO PREVENT POLLUTION. NEW YORK IS NOT IGNORING RESPONSIBILITY AND HAS RECENTLY ENACTED COST SHARE LEGISLATION OF ITS OWN. HOWEVER, AIR AND WATER QUALITY IS AN ISSUE WHICH GOES BEYOND LOCAL AND STATE BOUNDARIES AND DESERVES TREATMENT ON A REGIONAL BASIS. WE WOULD BE REMISS IF WE DID NOT INCLUDE A STRONG RECOMMENDATION FOR MORE

STRINGENT NATIONAL STANDARDS FOR AIR EMMISSIONS CONTRIBUTING TO THE ACID PRECIPITATION PHENOMENON.

USING A CREATIVE MIX OF PROGRAMS AND RESPONSIBILITIES WE HAVE WORKED WITH MANY SMALL COMMUNITIES THROUGH A "SELF HELP PROGRAM" TO INSTALL WATER AND SEWER FACILITIES AT TOLERABLE COSTS. FEDERAL FUNDING FOR "SELF HELP" IS IN JEOPARDY AND OUR ABILITY TO ASSIST LOCALITIES MEET FARMERS HOME ADMINISTRATION, AND OTHER LENDERS, REQUIREMENTS, AND TO EFFICIENTLY ENGINEER AND INSTALL FACILITIES WILL BE DECREASED. ONE OF THE REAL BEAUTIES OF THIS PROGRAM IS THAT IT ENCOURAGES THE CREATION OF FACILITIES TO SERVE EXISTING POPULATIONS WITH A MINIMUM OF EXCESS CAPACITY.

IN THIS BRIEF TESTIMONY I HAVE JUST TOUCHED UPON SOME OF THE DEC PROGRAMS AND ACTIVITIES WHICH IMPACT OUR RURAL RESIDENTS. I HAVE SUGGESTED YOUR FAVORABLE SUPPORT BECAUSE WE HAVE SEEN THE BENEFITS THAT CAN ACCRUE LOCALLY WHEN PROGRAM ASSISTANCE IS ADDED TO LOCAL INITIATIVE. IN ORDER TO HELP THE COMMITTEE AND ITS STAFF MORE FULLY EVALUATE OUR SUGGESTIONS, WE CAN SUPPLY ADDED DETAIL AND OUTLOOK ON THESE ISSUES.

FINALLY, I WANT TO URGE THAT ALL RURAL DEVELOPMENT PROGRAMS SERIOUSLY CONSIDER ENVIRONMENTAL IMPACTS. IT WILL NOT SERVE US WELL IF WE SUBURBANIZE OUR RURAL LANDSCAPE. IMPROVING THE ECONOMICS OF AGRICULTURE, FORESTRY AND OTHER RENEWABLE RESOURCE BASED INDUSTRIES SHOULD NOT BE NEGLECTED. IN ADDITION TO HELPING COMMUNITIES SECURE SERVICES WE MUST HELP THEM PROTECT THE AMENITIES THAT MAKE RURAL LIVING DISTINCT AND DESIRABLE. IT IS ENCOURAGING TO NOTE THAT A RECENT STUDY REPORT ON RURAL DEVELOPMENT PROGRAMS CLEARLY RECOGNIZES THIS FACT AND SEARCHES FOR THE DISTINCTION BETWEEN GROWTH AND QUALITY. AS WE PROCEED, WE MUST BE PREPARED TO HELP LOCALITIES RECONCILE CONFLICTS BETWEEN COMMUNITY GOALS AND OPPORTUNY IMPACTS.

THANK YOU VERY MUCH FOR THIS OPPORTUNITY AND BEST WISHES FOR YOUR SUCCESS.

STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION
ALBANY, N.Y. 12232

FRANKLIN E. WHITE
COMMISSIONER

SEP 1 - 1989

Honorable Louise M. Slaughter
Member of Congress
1707 Longworth House Office Building
Washington, D.C. 20515

Dear Ms. Slaughter:

Your letter of August 15, 1989 to Commissioner White requested our input to the House Agricultural Subcommittee hearing on September 11, 1989 in LeRoy, New York. Unfortunately, Commissioner White will not be able to attend the hearing.

I have attached brief descriptions of programs of the New York State Department of Transportation that may be of interest to the Subcommittee. We would appreciate your including these in the hearing record.

Sincerely,

LOUIS ROSSI
Director
Planning Division

Attachment

Rural Transportation Market Cluster

Local Road Classification Task Force

The NYS Local Road Classification Task Force was created by state law in 1986 and charged with developing appropriate guidelines for the design, maintenance and operation of rural town and county roads. The bill establishing the Task Force was drafted and sponsored by the Legislative Commission on Rural Resources. The idea arose originally from state and local participants at the Commission's 1985 Rural Development Symposium. Local highway officials were concerned with the high cost of complying with the existing national guidelines and standards for rural roads.

In its initial research, the Task Force learned that many rural town and county governments were not using the existing guidelines, especially on low volume roads, and that they could not afford to do so. They concluded that the problem could be remedied by the development of appropriate, affordable guidelines for making decisions on low volume rural roads. The Task Force has developed Guidelines for Rural Town and County Roads that are intended to provide an appropriate legal and technical basis for decisions. Specifically, the Task Force has recommended a classification system for low volume rural town and county roads (average daily traffic less than 400 vehicles per day) that is based on road use. The road classifications are then used as a basis for applying appropriate design, maintenance and traffic control guidelines.

The design guidelines incorporate a design process for rehabilitation projects on rural roads including recommendations for pavement widths, bridge widths and roadside clear zones. A process for developing, prioritizing, scheduling and budgeting road improvements and maintenance activities on normally maintained roads was also recommended. Recommendations for traffic control parallel the maintenance guidelines with specific recommendations for normally maintained roads.

The Task Force has also directed printing and distribution of a manual, suitable for use by rural town and county highway superintendents, that incorporates the features of the Guidelines report.

To ensure an efficient allocation of public resources to low volume rural roads the following recommendations are offered in formulating the Rural Transportation Market Cluster of the National Transportation Policy.

1. Develop and recommend classification and design guidelines based on use of the road that are appropriate for low volume rural roads. These guidelines should be available for use by local governments that wish to adopt and use them.

2. Provide a mechanism to update and maintain these guidelines on a regular basis.

Essential Air Service for Rural Transportation

The Essential Air Service Program (EAS) was established by the Airline Deregulation Act of 1978 as a ten year program to guarantee the continuation of service at small communities which faced potential service disruption under airline deregulation. The program was initially envisioned as providing a transition period for communities to develop a service and demand combination that would eliminate the need for subsidies by the end of the ten year period.

Due to a combination of factors, including a recession, spiralling fuel costs, carrier instability, etc., the subsidy needs under the EAS program increased in the early 1980's. It became evident that some communities would need subsidies indefinitely and that the original program design did not result in market development. As a result, the EAS program was continued for an additional ten years by the Airport and Airway Improvement Act Amendments of 1987. Under this act, the original subsidy program was expanded to allow for enhanced service at existing EAS communities and for service to these communities not eligible under the original program. Both of these options require a local cost sharing in most cases and are subject to eligiblity criteria.

Because Congress has not provided funding sufficient to cover the program enhancements, they have not been initiated. In addition, the basic program is again under attack and facing severe budget cutbacks or elimination.

This program should be continued for the foreseeable future along the lines of the 1987 extension. Communities continuing in the program, both the basic and enhanced elements, should be required to meet eligibility criteria which restrict participation to those situations where isolation is real and demand is sufficient to result in reasonable subsidy levels (on a per passenger basis). For communities which do not meet the eligibility criteria, the option of providing a local match to reduce the subsidy requirements should be available. With such a program, the economic development of the nation's rural areas will be enhanced at a cost that is reasonable for the benefits which result.

Public Private Financing

Public/Private partnerships will be encouraged by the Department of Transportation to assist funding of added capacity projects. Legislation will be developed to facilitate increased local governmental use of these alternative funding mechanisms.

Some projects are needed as an immediate response to new development such as shopping centers, office space, industrial space and large residential developments. These projects are generally needed to provide safe access to the state highway system and to maintain levels of service.

It is the policy of the Department, and has been for many years, that all costs of mitigating site impacts will be borne by the developer. Enforcement of this policy is provided through the "State Environmental Quality Review Act" process when the Department is an involved party in the proceedings and through the work permit process when driveway permits are sought.

The Department reserves the right to retain oversight responsibility of project design and construction. The developer is responsible for preparing a site impact study.

Although site impact improvements commonly include traffic signals, turn lanes, and other improvements within the development area, larger projects may be required if it is demonstrated that the developer causes the remote congestion problem.

A prime local example of a capacity project are the improvements made by the Pyramid Company to mitigate the traffic impacts of the Crossgates Mall in Albany County.

Some capacity projects are not needed to solve a congestion problem, but, rather, are needed to provide a growth stimulus and encourage economic development.

Given the current funding situation the Department has been unable to participate with local public bodies and private entities in financing capacity projects promoting economic development unless special funding has been provided outside of normal Department resources. Two prime examples of Department involvement in major economic development initiatives include:

- the Southern Tier Expressway, an economic development highway from Broome County west to the Pennsylvania State line. This highway was funded as part of a comprehensive economic development program using Appalachian Regional Commission funds in addition to state and local resources.

- the $38 million Fort Drum initiative, a special state appropriation, was designed to encourage the U.S. Army to locate the Tenth Light Infantry "Mountain" Division at the Fort.

The "Industrial Access Program" is the only Department program supporting local road access projects on a regular basis. In the last four years, $20 million in State appropriations have been devoted to this program and reflects the well established relationship between the provision of adequate transportation access and the realization of full economic development potential. The main criteria for project selection is the total number of jobs created or retained per dollar of State investment. Financing is provided up to $1 million per project and represents a 60 percent grant and a 40 percent percent interest-free loan to be repaid within five years.

Public Transportation In Rural Areas

In the Urban Mass Transportation (UMT) Act of 1964, as amended, New York State finds the current prohibition against the operation of Section 16(b)(2) vehicles by a public body (when the public body is also a provider of general public transportation) to be a significant obstacle to the development of fully coordinated transportation services, especially in non-urbanized areas. The current UMTA 16(b)(2) Circular allows private, non-profit organizations to have their 16(b)(2) vehicles maintained and repaired by public mass transportation operators, but they may not lease their vehicles to such operators for actual operation. In many rural (non-urbanized area) settings where there is a very limited mix of public mass transportation service and human service agency client services including 16(b)(2) services, we believe that major benefits of coordinating services--such as improved scheduling, increased vehicle utilization, increased levels of service as well as potentially reduced agency costs could be achieved by allowing a 16(b)(2) organization to lease its vehicles to the public operator. This would be accomplished under a contract for providing the organization's 16(b)(2) grant services as part of an integrated service.

We understand the basic statutory differences and purposes of the Sections 18 and 16(b)(2) programs, and that 16(b)(2) grants are only to be awarded where existing public mass transportation services are insufficient or inadequate to meet the transportation needs of the elderly and/or disabled. We also understand that there may be a concern about a public operator's use of 16(b)(2) funded vehicles to reduce their obligation under Section 504. However, we note that 16(b)(1) of the Act was never funded; this may have inhibited the development of specialized elderly/disabled services by the public operators. In any case, the proliferation of client-exclusive 16(b)(2) services in many states clearly sets the stage for the increased efforts at coordination we are now seeing.

In New York State, we have recently embarked upon a new State program to develop coordinated public transportation services in our rural areas. It is also State policy that 16(b)(2) grants, in counties participating in our rural coordination program, be awarded on a preferential basis to the operator of a coordinated public transportation service. We can see, however, that the current restrictions on 16(b)(2) vehicles will be a real barrier to meaningful coordination in many situations.

We support amending the UMT Act to allow 16(b)(2) grantees to lease vehicles to public body operators of public transportation in non-urbanized areas to provide service to the elderly and handicapped as part of an overall coordinated public transportation service.

Industrial Access Program

The Industrial Access Program (IAP), administered by the New York State Department of Transportation, provides funding for highway and bridge improvements that will facilitate economic development by providing or improving access to industrial or agricultural facilities. Such transportation improvement must result in jobs being created or retained in New York State.

The IAP program is a participatory program with approved projects eligible for a maximum award of $1 million. Sixty percent of the award is a grant and forth percent is an interest-free loan, which must be repaid over five years. Conventional funding sources must not be available on a timely basis before the IAP program may be considered.

The IAP program has been in existence since 1985. In that limited period of time more than $14 million in transportation improvement projects has been approved. A concomitant commitment of nearly $370 million of private investment for structures and equipment, creating or retaining nearly 10,000 jobs is anticipated.

Local Roads and Bridges

While the State has about 15,650 miles of roads and 7,400 bridges, there are 94,000 miles of local roads and 8,595 local bridges in New York State. The local roads and bridges are in poorer condition than the State system.

Excluding 20 "large" bridges, the existing level of local bridge funding provided by localities is about $60 million annually. In addition to that local effort, the Department has a Capital program of $160 million per year for local bridges during the 1988-92 period. This program reflects federal aid and state funding, including funds from the Bond Act.

For local bridges, the Department has recommended a program of $245 million annually during the 1993-2000 period in its Long-Term Financing proposal. This program offsets the impact of inflation and provides a modest improvement in the percentage of deficient bridges. Similarly, the local effort on these bridges should also rise during this period to reflect increased costs.

Although the financial data on local roads are not avaiable, a program to maintain the existing condition of these roads will cost more in the future.

Local roads and bridges are an important element in the State's total transportation system and large capital expenditures are needed to maintain that system. The Department has recognized this by contributing significantly to funding the local road and bridge system. The federal contributions have also been significant; however, this source of financing is diminishing and state and local governments are being asked to fund more of the need. The Department has recommended an expanded program of assistance for local bridges. However, the system of local roads and bridges is, in fact, a local responsibility. The local financial effort must also be expanded if the condition of local facilities is to be maintained or improved.

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Economic Development Office
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Geneseo, New York 14454

Telephone: (716)243-4280
FAX: (716)243-1868

Patrick J. Rountree
Director

SEP 1 1 Rec'd

September 8, 1989

Louise M. Slaughter
Congress of the United States
House of Representatives
311 Federal Building
100 State Street
Rochester, New York 14614

Dear Ms. Slaughter:

Enclosed please find my testimony to the House Agriculture Subcommittee on Conservation, Credit, and Rural Development. The hearing is scheduled for September 11, 1989 but I regret that I am unable to attend.

Thank you for the opportunity to attend the hearing.

Truly yours,

Patrick J. Rountree
Director

PJR/mc

(Attachment follows:)

Testimony To The House Agriculture
Subcommittee on Conservation, Credit, and Rural Development

September 11, 1989

It is with regret that I am unable to accept the Congresswoman's invitation to attend this committee's hearing due to a previous commitment. Therefore, I am submitting this testimony for the committee's consideration regarding the special needs of rural areas for economic development.

I would like to address three areas of federal concern which have a direct bearing on the economic well-being of rural residents. They are: the elimination of tax-exempt industrial revenue bonds; support for child care and rural transportation assistance.

Elimination of Tax-Exempt IRBs

Tax-exempt industrial revenue bonds have been one of the most effective tools of economic development for well over a quarter of a century. This form of low interest financing, through the sale of private activity bonds, has been a great source of economic development and expansion to Livingston County and rural counties throughout the country. Unfortunately, over a series of years the ability to use this form of financing has been gradually restricted and currently is scheduled for elimination on December 31, 1989 as a result of the Deficit Reduction Act of 1986. Besides offering the benefit of low interest financing for manufacturers, tax-exempt industrial revenue bonds also provide small companies with an access to affordable capital. Qualifying restrictions on tax-exempt industrial revenue bonds since 1984 have resulted in projects under a million dollars not being feasible. And, of course, beginning January 1, 1990 the program will be eliminated.

The State of New York has been innovative in the use of tax-exempt financing for small issuers utilizing the state's Job Development Authority to pool tax-exempt financing and by doing so afford the availability of this form of financing to small projects. Needless to say the State Job Development Authority's abilities

will be eliminated with the end of tax-exempt industrial revenue bonds.

It has been estimated that the total budgetary revenue loss impact of tax-exempt industrial revenue bonds nation wide is $150 million yet the benefits of this program in terms of new investments in plant, equipment, and jobs runs into the hundreds of millions. Urban areas have been able over the years to assemble other economic development tools that can supplement or replace some of the program attributes of IRBs. Rural areas are not so fortunate. The elimination of tax-exempt IRBs will mean the elimination of the only program for which there is local control and which can bring a cost of capital savings to a company. Rural areas will be more adversely effected than urban areas because of this legislation. Therefore, my first priority recommendation to the committee would be to delay the sunset on tax-exempt industrial revenue bonds and hopefully a gradual elimination of the numerous restrictions placed on their use.

Child Care

This issue, which crosses urban and rural boundaries, is one of the leading issues of the 1990's. It has been well documented that workforce shortages will exist into the 1990s due to our demographic trends. Many more people, particularly single heads of households, could be in the workforce if there was available, affordable child care. The lack of affordable child care results in eligible working people, particularly single parents, being on welfare because wages received nearly equal of exceed wages. Federal and State assistance to expanded child care should be seen as an investment in bringing people into the workforce for productive living and also as an investment in our future, that is, our children.

Transportation

Rural areas by their very nature have low population and employment densities. An effective Federal program that acknowledges the special and unique needs of rural areas was the Section 18 Transportation Program of the Urban Mass Transit Act of

1973. The Section 18 program appropriates funds for use in rural transportation through an identification and assessment of the needs. Here in Livingston County, the Livingston Area Transportation System has helped to effectively bridge the gap between economic opportunity and lack thereof through affordable transportation. While the LATS system does not meet all of the needs posed by rural residents, the loss of these funds could jeopardize the service entirely. This would further increase our welfare problems and the inability of our employers to obtain a workforce. Maintenance of the Section 18 fund is very important and I commend your support.

In conclusion, I thank you for the opportunity to submit testimony to the committee and I hope that you will find these comments beneficial. Thank you.

JOHN B. SHEFFER, II
SENATOR, 60TH DISTRICT

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THE SENATE
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ELECTIONS
ENERGY
ENVIRONMENTAL CONSERVATION
HIGHER EDUCATION
INVESTIGATIONS, TAXATION & GOVERNMENT OPERATIONS

September 9, 1989

Hon. Louise M. Slaughter
Member of Congress
218 East Main Street
Batavia, New York 14020

RE: September 11 Hearing - House Agriculture Subcommittee on Conservation, Credit, and Rural Development

Dear Louise:

I very much appreciate the invitation to the hearing of the House Agriculture Subcommittee on Conservation, Credit, and Rural Development on September 11 in LeRoy.

Regrettably, I will be hosting a conference on the same date on the issue of labor shortages and will therefore be unable to attend or personally testify at the Subcommittee Hearing. I do have several thoughts, however, in reference to the hearing and I appreciate this chance to submit them in writing to you.

As you know, the 60th Senate District includes all of Genesee County and the northern portion of Erie County. The district is comprised largely of rural communities and I am willing and anxious to work with you on issues and programs of importance to these areas. I am grateful for your initiative in bringing the series of Subcommittee Hearings to Genesee County and wish that I could be personally present.

The goal of improving rural economies and the quality of life for rural residents must be an absolute priority in New York State and throughout the country. It is a challenge which must be met on a whole spectrum of fronts, not only by each level of government, but by the private sector as well. I have outlined below several thoughts on some of the many fronts which must be pursued if this effort is to be successful.

I know that you are familiar with the "Genesee 2000" effort, which I believe to be of enormous importance to the future of

Genesee County. One of the very best things which you and I, at our respective levels of government, can do to assist our rural communities is to encourage and support that effort in every way that we can. As you know, the initial survey promulgated by Genesee 2000 outlines a full series of challenges which will only be met with the active cooperation of the state and federal governments.

There is no question that an active, productive job market is critical to the future of our region. The labor shortage conference, mentioned above, is an attempt to more clearly identify the current labor shortage problem and to seek solutions to that problem. Interestingly, a major motivation in planning this conference was a tour which Assemblyman Steve Hawley and I took earlier this year through nine of the largest businesses in Genesee County. Although these employers had many issues and concerns regarding the state and federal governments, the problem of labor shortages was a theme that was heard again and again -- "We've got good jobs and no one to fill them."

For the first time since the 1920's, the United States faces a shortage of qualified workers at all levels of employment. As Assemblyman Hawley and I heard on our tour, this is an issue of particular importance to rural New Yorkers.

I believe strongly that our educational system must be a partner in the effort to speak to the labor shortage problem and to the challenge of improving rural economies. At a 1988 hearing by the Senate Committee on Commerce, Industry and Economic Development, I testified: "Inevitably, attention will focus upon the notion of `educational performance' of our public schools -- not only measured in standardized test scores and Regents Diplomas, but in the capability of our students to participate in the world class economy of the 1990's and the 21st Century and, moreover, to be on the cutting edge of that economy."

In many ways, as a result of state and federal policies, our rural schools face this challenge with one hand tied behind their backs. As the state and federal governments mandate increased programs and regulations on our schools, these requirements fall particularly hard upon sparsely populated and low-wealth rural districts. In short, you and I need to address the goal of appropriating sufficient funding and injecting sufficient incentive in the education structure to assist rural districts in providing the traditional academic curricula and also speaking to the challenges of the current and future job market.

In my judgment, excellence in education is one of the essential factors in improving rural economies and quality of

life. That goal will only be achieved if special attention is paid to the distinctive needs and challenges of each district. It is the district itself which is most competent to judge those needs and challenges.

In short, I believe strongly that state and federal assistance should, to every extent possible, accommodate those distinctive needs and allow individual school districts to speak to their own particular sets of circumstances. Schools should be encouraged, rather than discouraged, to use their funds to improve themselves and should then be held accountable for improved performance. It is improved performance which we should encourage and not simply conformity with some preconceived mold fashioned in Albany or Washington. Rural schools will need more state and federal funds and, in my judgment, those funds should be as unrestricted as possible.

Clearly, one indicator of improved performance is involvement of the community in education so as to improve the readiness of students to participate in the job market. I have sponsored a bill in the Senate which would create a business/industry and education advisory board. The purpose of the board is to enhance the role of education in economic development and to enhance the role of the business community in education. Ultimately, the goal is to graduate students with the knowledge, skills and motivation to compete in our changing world and job market.

Also included within this effort is the need for the rural educational structure (and, indeed, all educational structures) to be responsive to the increasing number of students commonly referred to as "youth at risk". Programs like one the Genesee County Job Development Bureau has development over the past three years to identify and assist these young people are of great importance and ought to be encouraged by both the state and federal levels of government.

I would like to turn, in closing, to several aspects of the relationship between the federal government and rural communities. These are areas where I believe Washington can be of substantial help in assisting rural communities to meet the challenges ahead.

The interconnected system of regional planning boards, established over twenty years ago, has begun to suffer from federal budgetary neglect. This condition is particularly noticable in rural communities where the professional planning apparatus of a regional planning board meets a need which rural communities often cannot afford to provide for themselves. If we

are to ask the small communities of our nation to meet the demands of a more competitive world -- a challenge they are willing and anxious to confront -- it is imperative that they have the ability to plan for the effective use of limited resources. In my opinion, there are few uses of federal funds on behalf of rural communities which are as effective as adequate funding for regional planning.

The lack of flexibility in federal dairy policy is another example of a continuing burden for Genesee County and all rural communities in our region. Our dairy industry in Western New York has been shrinking steadily for the past several years not because of a lack of demand for milk, but because of the lack of policy flexibility. Federal milk pricing policy is based on market conditions in the Midwest where milk surpluses are endemic. For nearly ten years, fluid mild has been in short supply in New York State and the northeast, yet farmers are forced to underprice their product. At the same time, federal subsidies, which historically helped to compensate for this regional imbalance, have continued to dry up.

The State of New York has been attempting to induce processors to establish their plants in rural parts of our state so as to be close to the supply of their raw material. This effort has been less successful than it might otherwise be primarily because federal dairy policy has dried up the supply of milk available to processors in our state.

Finally, I would like to offer a suggestion which costs practically nothing, yet would provide an enormous benefit. The creative genius of rural America has been hard at work. Each time I attend a conference dealing with economic development, I hear about an innovative idea that has been tried in some rural part of our country. The problem is that there is no systematic effort on the part of the federal government to accumulate information on creative solutions to rural problems and to disseminate those ideas to other parts of the nation. While I do not suggest that what works in Nebraska will necessarily work in New York, it would be productive if we knew what was being tried in other parts of the country and make our own determination whether or not it has applicability here -- and visa versa. An information clearinghouse in the Department of Agriculture, or other appropriate federal agency, for information on economic development innovations in rural communities would cost little, but could be of great benefit.

I very much appreciate the chance to share with you these several observations on rural challenges. These observations are based largely on the discussions I have had with leaders in

Genesee County communities and with the businessmen and businesswomen who run the farms, industries, and tourist-related businesses across this beautiful county. I hope these thoughts will be a benefit to you and the Subcommittee in your efforts to focus federal resources more effectively on the needs of rural America. I look forward to working with you in this critically important effort.

Very truly yours,

JOHN D. SHEFFER, II
Senator

JBS/cpj

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SUPERVISOR

August 23, 1989

Ms. Louise Slaughter, Congresswoman
House of Representatives
1707 Longworth House Office Bldg.
Washington, D.C. 20515

Dear Louise:

Thank you for your letter regarding the hearing on rural problems in the northeast.

The most crucial need faced by Perinton is a means to preserve agricultural land. As Pittsford is currently exploring development rights, Perinton has followed a parallel path in the past two years.

Our Master Plan Update identifies agriculture as an industry that should be preserved, not only for its intrinsic values, but for the open space values it lends to the community. Our Conservation Easement program has been unique and very successful, but it is not "the" permanent solution.

Regardless of the name you give it, a means needs to be found to acquire agricultural land before it is swallowed into development. The differential in value, development vs. agriculture, is enormous, and if the land is to be preserved I'm afraid the "community" has to play a role. It is out of the grasp of the individual farmer. We are exploring local options and will continue to proceed toward implementation.

If the Federal government can help with funding, incentives, interest-free loans or whatever else, that would certainly be helpful. I will not be able to be present at the hearing but appreciate the opportunity to add to the written record.

Sincerely,

James E. Smith
Supervisor

JES:stb

RURAL ECONOMIC DEVELOPMENT

MONDAY, SEPTEMBER 18, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION,
CREDIT, AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
Montgomery, WV.

The subcommittee met, pursuant to call, at 9:45 a.m. in the tech center ballroom, West Virginia Institute of Technology, Montgomery, WV, Hon. Glenn English (chairman of the subcommittee) presiding.

Present: Representative Staggers.

Staff present: Joseph Muldoon; assistant counsel; and James E. McDonald.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. ENGLISH. We are going to start a little early this morning. We have a number of witnesses. In fact the witness list has been growing, that is a good sign. We are always interested in having people who are interested in testifying. But to make sure we give everyone an opportunity, we did want to start early.

Let me say that it is indeed a pleasure to be in West Virginia and to have an opportunity to hear what the people of this region have to say as to what they think should be done in areas of rural development. Congressman Staggers, of course, is a member of the Conservation, Credit, and Rural Development Subcommittee, and he has been urging me for some time to make sure that the people of West Virginia have an opportunity to have input into this process, and we certainly want to do that.

This is the sixth and final field hearing we will have, as far as various regions of the country are concerned. This process started in June, when we held national hearings in Washington and continued throughout the month of June. We had roughly 50 witnesses that testified during that time, but we felt that we needed to hear what people around the country had to say, not just those who represented national organizations. So for that reason, we felt that it would be wise to hold regional hearings.

This process started in August with hearings in Mississippi, Iowa, Texas, Idaho, New York, and then today in West Virginia. It has been a very interesting process.

There are two points that I would like to make, and that is that throughout this hearing process, it is becoming more clear that while the Federal Government can help in the area of rural devel-

opment, the real success in rural development depends upon the individual communities and the people who live there, it depends upon the leadership in those communities, and while the Federal Government can offer assistance, can lend a helping hand, the Federal Government cannot make a success out of a community, that is up to the people.

So I think as we move forward, we have to keep in mind that help will be forthcoming—it is already forthcoming for that matter—for rural communities throughout this country. What we are going to be attempting to do is to make that assistance more workable, to make it more beneficial.

And that certainly brings up the second element that we have discovered, and that is the question of flexibility. Throughout these regional hearings, it has become apparent that different parts of the country have different ideas when you mention the issue of rural development. And certainly every region of the country seems to have needs that are different from other regions, and so flexibility is another element that has to be taken into consideration, that has to be vital for a successful program in rural development.

And also, this is an effort that has to work well and integrate with the efforts that are taking place on the State level, as well as on the local level. Each State has its own approach, each community has its own approach as far as rural development is concerned.

So I think that flexibility is something that we have to try to work toward and try to make certain that the programs that are available for rural development have that flexibility. That is a vital link, a vital element.

I am sure today we are going to get some new ideas, new thoughts, new suggestions. It seems that every place we have gone, there has been a contribution that has been made, and I certainly expect that that will be the case today.

I am just delighted to be in West Virginia, it is beautiful country, and I am very happy to join my colleague, Congressman Staggers. And with that I am going to turn the Chair of this hearing over to Congressman Staggers.

OPENING STATEMENT OF HON. HARLEY O. STAGGERS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. STAGGERS [acting chairman]. Thank you, Mr. Chairman.

I first became aware of Glenn English when I first got on the Agriculture Committee, and it is divided, there is a lower row and an upper row. And the upper row are the senior members and the lower row—you look up and wonder if I will ever get up to the upper row.

When I first got there, Glenn was on the upper row and I was on the lower row and I have always had to literally look up to Glenn. So it has been a rewarding experience.

Even after the first term, I guess Glenn was the chairman of a very exciting subcommittee—he made it an exciting subcommittee of the Committee on Government Operations. And a lot of people will tell you that Glenn English—think about the war on drugs, he

has probably done more than any other Congressman that I am aware of. He probably does not always get credit for what he has done, but he has been out front, and made a subcommittee that was a mediocre subcommittee into a very exciting committee and led the war when it was not so much in the press. Now you get all the press releases and Glenn is doing other things because he has already laid the groundwork.

But I learned very early not only just from looking up to him, but on the Agriculture Committee if you wanted to get something done, you had better make sure Glenn English knew what you were doing. Even if everyone else agreed, one of the things I found out about Glenn is that he is a master of legislation. He can change a word and change the whole intent of the legislation and you would not even know it. So you always had to check with Glenn to make sure that he at least approved of what you were doing. It is almost the vice chair I guess because he is very much an administrator and a person who gets things done.

In fact, one of the reasons I changed subcommittees this year was because Glenn English gave up his Government Operations Subcommittee Chair and became chairman of the Rural Development Subcommittee, and I knew things were going to happen, I knew things were going to move forward, and that is why I changed. I was on the Oversight Committee, which is very important to West Virginia University for research dollars. But I wanted to be on this subcommittee because Glenn English is someone who, like I said, gets things done.

The other thing that I want to say about Glenn is that he recently became—a post that I gave up this year—vice chairman of the rural caucus, which I think speaks to what his interests are in rural America. He has led from his legislative abilities, but now from the caucus vice chair, he is leading the fight to at least put rural America on equal footing with urban America.

Let me switch gears a little bit. Last year we were here and had a different Congressman and we were talking about the problems of rural America, not the solutions. Today, hopefully we will be talking about the solutions. But I do want to mention last year because that Congressman recently died—and of course I am talking about Mickey Leland. When Mickey was here, Glenn, we heard about unemployment, health care problems, poverty that you cannot always see, some of the problems facing families that are just inherent to rural America.

I am sure Glenn knows this, but I want to be sure everybody in the audience knows, that West Virginia families, I guess over half, earn less than $11,000 a year. Rural poverty is more than urban poverty now. So the stereotypes that a lot of the programs are going to help in rural America are not only true, we need to be looking at solutions to the problems and the social issues also.

That was last year and this is this year, and this I guess in a sense is a follow-up.

One of the things that I am going to be doing when we get back to Washington—I think Glenn knows this, I am not sure—I am going to be introducing two pieces of legislation. One is a rural economic sustainability bill. We need to have renewable sources of economic development, not just a one-shot type of thing. So this

will be, through the USDA, coordinated which will help long-term goals, coordinate and make it, as I say, renewable economic development.

The other bill I will be introducing is an incentive for some of the co-ops, especially rural water corporation efforts that co-ops can make. So those two I think will fit into any type of rural development that we may be able to put together this year.

Another point that I know Glenn knows, but I am not sure anybody else knows, especially West Virginia—I was asked a question at one of the farm hearings I had last month in Morgantown, about why am I so concerned about agriculture because it is not really a priority in West Virginia. But it can be a priority, especially with some of the things that can come out of farm policy. A lot of people do think—especially in Washington—do think that rural economic development is just agriculture. Obviously it is not. For instance, looking at poverty, only 10 percent—less than 10 percent of the people living in poverty in rural America do live on farms. But the farm industry which is already in place in most of rural America—I do not see how you can separate the two. For instance in Monroe County, where there is a cheese factory, using agricultural products added to the value is a goal that I think any rural economic development bill has to have.

We do need a comprehensive program and I think probably the best statement I can make is one that I made earlier today. I left Fayetteville, which is the county seat of this county, it took me almost 1 hour to travel about 20 miles. Obviously roads, transportation, is a big issue in rural America. I do not think we are going to have the funds in this bill to build roads, but that obviously is one of the pieces of the puzzle.

The other one is education. We probably will not get the answers to education in West Virginia out of this bill either. But I think the infrastructure is something that we can work on, as far as water, sewer. I think business development and the development of local leadership, and that is what my bill—one bill, hopefully will put together, some sort of local initiative and coordination with the Federal Government.

I do think the actions and the future of the United States—I say the United States, not just one State—does depend on or hinge on our development not only of natural resources, but human resources. And I see that as one of the problems with rural areas, not adequately using the human resources.

We have a very impressive panel. I showed Glenn the list earlier, it goes from Marshall University and West Virginia Tech, we have women's groups, we have business groups, we have extension service which is developing a resource base, I guess is the thrust of their testimony, we have young people who are looking to the future. I even have my cousin here, Glenn, who will be participating to some extent. We will have people talking about the growth problems, getting jobs in rural America can help solve the growth problems. Many of those problems are the same problems that anyone else faces in rural America.

I would say that this is probably the best that West Virginia has to offer, and with that we will call our first witness.

Mr. ENGLISH. Mr. Chairman, before we call the first witness, if I may, let me point out to all witnesses, we are going to ask, and ask very strongly, that you hold your testimony to 5 minutes. If you would summarize your written testimony, without objection the complete written testimony will be made a part of the record. Whatever statement you have will be made a part of the record. Try to summarize. We do not want to get to the point that we have to leave some folks out, so we want to make sure that everybody gets included, everybody gets a chance to make their presentation. So we would appreciate that cooperation.

Also in response to questions, if you would please keep your responses as brief as possible. Please do not try to elaborate, just answer the questions and we will try to move along very quickly and give everybody a chance.

Thank you very much, Mr. Chairman.

Mr. STAGGERS. There was no objection and statements will be entered in the record in full and we would appreciate you keeping it as brief as possible. You would really make us happy if you do not take even 5 minutes.

The first witness will be Bob Gillespie, president of West Virginia Tech. We look forward to hearing you.

STATEMENT OF ROBERT C. GILLESPIE, PRESIDENT, WEST VIRGINIA INSTITUTE OF TECHNOLOGY

Mr. GILLESPIE. Congressmen, ladies, and gentlemen, it is an honor and a pleasure for West Virginia Tech to host these field hearings which will hopefully impact legislation favorable for rural development. We welcome you and hope that you will value what you learn today and will feel that your time was spent productively.

Chairman Glenn English, I am particularly pleased that you have joined with us in West Virginia in a forum that may lead to benefits for all of us. I imagine that many of the farm problems of Oklahoma are very similar to those caused by the diminishing activity in the coal industry and the movement of our smokestack industries to other countries.

Congressman Staggers, your support of Tech and our initiatives and your interest in developing legislation to provide some mechanism for rural development is appreciated. Maybe together we can make some difference.

West Virginia Tech is deeply interested in the development and implementation of legislation devoted to rural economic progress. Our designation as the State's only institute of technology, along with West Virginia University, the institution with responsibilities attendant to its land grant status, imply that economic development is not only interesting, it is an obligation, it is a part of our mission.

We at Tech have been attempting in recent years to more fully develop our capability in extending the outreach for engineering, technology, and business programs. Tech's technical assistance programs have been designated by the Governor's office of community and industrial development as the technical assistance center for all small business activities coming through that office. This desig-

nation was earned by the success of the program. We hope in the near future to consolidate and expand influence to the technical community such that all activities associated with the manufacture or mining activity can be effectively dealt with, a one-stop shopping center for economic development.

This area is also fortunate to have visionary business leaders who have supported the Upper Kanawha Valley Economic Development Corp. Our State legislative leaders have helped with legislation providing for consortial effort of four counties. Funding seems to be the key component to the success of this group.

We should be looking, however, at ways to bring together each of these components. On the Tech campus, one such effort is the product of our community and economic development and regional economy program. This program is the only one like it in West Virginia and takes its task of seeking solutions seriously. The group was successful this year in bringing to the Tech campus West Virginia's most distinguished economist, Dr. William Miernyk. His experience and insight would be of much value to the committee, and we would be remiss if we did not take advantage of his willingness to share his ideas with us. Permit me to introduce to you the L.J. Buchan Professor for 1989 and 1990, Dr. William Miernyk.

Mr. STAGGERS. As stated earlier, your full testimony will be placed in the record, and we look forward to your testimony.

STATEMENT OF WILLIAM H. MIERNYK, L.J BUCHAN DISTINGUISHED PROFESSOR, WEST VIRGINIA INSTITUE OF TECHNOLOGY

Mr. MIERNYK. Mr. Chairman, I am delighted to be here. Unfortunately, I was asked to comment too late to prepare written testimony. I assure you I will remain well within the 5-minute limit.

First I want to thank Dr. Gillespie for his more than generous introduction, and I am pleased to appear before this committee, even though I am somewhat unprepared.

I want to say a word or two about the program Dr. Gillespie mentioned, a unique program at West Virginia Institute of Technology, to train young men and women in the field of community economic development. A recent and timely study by Resources for the Future, prepared by Professor Swanson of the University of Kentucky, mentions the limitations of rural data as a major problem in rural economic development. I would add to that, a lack of trained personnel to work specifically in the area of community development. This is a gap which WVIT is now starting to fill.

We are beginning tomorrow with the first of a series of seminars. We have several planned for this academic year, and they are open to anyone interested in the area of community and regional economic development. We hope that they will be well attended, and we hope that they will be genuine seminars which will result in an exchange of ideas. When we summarize them, at the end of this series, we hope they will be useful to practitioners in the field; will help them in some way with the difficult task of the development of communities which have the potential for growth and development, and which will help fill some of the data gaps that I referred to earlier.

Thank you very much.

Mr. ENGLISH. Mr. Chairman, one of the questions we have come down to—of course, as I think you well recognize, we have very limited resources on the Federal level, we have a little budget deficit problem and it is highly unlikely that we are going to see huge increases in funds that are going to be made available for rural development. We have an awful lot of programs at the present time, there is something in excess of 100 programs dealing with rural development encompassing some $12 billion throughout the Federal Government. We have about $6 billion in the Department of Agriculture that this subcommittee and the Agriculture Committee would have jurisdiction over, so we have about half under our jurisdiction.

I guess the thing that we come down to—I think the training idea, the concept, is a good one, I think it is one that is desperately needed for rural communities.

In your testimony I noticed that you were differentiating between those communities that we can help as opposed to those communities that we cannot. I made the point that those communities that want to help themselves, that have the leadership, who have the desire to really do something about their situation—in your opinion, should we begin looking—instead of putting a water project over here and a sewer project over there and housing over here, should we begin looking instead as to applying this effort toward a community endeavor, a community question as opposed to just kind of scattering it around the countryside?

The point I am getting at is that it seems to me that if a community is not willing to take charge and deal with their problems, if they are not going to try to help themselves, there is not a whole lot we can do. And then the question comes up does it make a lot of sense to go out and spend a lot of these very valuable resources, very limited resources on a community that really does not want to do anything?

Mr. MIERNYK. I agree completely. I think you have answered your own questions very well. First, I disagree with the pat answer that the way to solve all social and economic problems is by throwing money. That is not going to be part of our curriculum. Second, I agree completely that not every area in the United States has growth or development potential. The difficult question—a political question—will be how do we identify those that have real potential and provide the limited help that is available and explain to others that do not have growth potential; that there is simply no point in attempting to spend money where it is not going to produce positive results.

Mr. ENGLISH. Well maybe we should ask the communities themselves to do that. The question I wonder about is should we have as a part of the requirement for receiving this assistance out of the Department of Agriculture that in fact those communities that are going to be eligible have to put together some kind of plan as to what in the world they plan—what in the world their future is going to hold. And by that I mean an economic development plan; here is where we are trying to go, here is what we are trying to accomplish, here is how we think we can get there. And really have—they have to do something to start this, at least they have to

give it some thought and at least they have to have some kind of desire to do something with the future. And if they are not willing to go that far and put together some kind of plan for the future, perhaps that in itself—they decide themselves as to who receives help and who does not. Is that fair?

Mr. MIERNYK. Yes. The two major pieces of Federal legislation we have had dealing with regional economic development, the Area Redevelopment Act and the Economic Development Act require a community to have a development plan before these agencies will even consider a proposal, and I think this is essential in a rural development program. Moreover, studies have shown that in some communities that have not been given Federal aid, the development of the plant itself, the unification of the community, the generation of a sense of cooperation, have been beneficial to those communities. Even though they did not get $1 of Federal money, they could point to positive improvements that were made as a result of a plan. I agree completely.

Mr. ENGLISH. Thank you. Thank you, Mr. Chairman.

Mr. STAGGERS. Let me ask one question.

Obviously education is going to be part of any economic development plan and there is no real substitute for quality teachers in classrooms, and I do not think we are going to be able to do—give the State the money to pay the teachers so a lot of those will leave the State probably. But there is within the State a consolidation and in fact I am very pleased to see a lot of classroom teachers that have come out on their own time to be in the audience today. I think that states well for West Virginia's education.

In higher education, there is a consolidation. I know that West Virginia Tech—and maybe Mr. Gillespie is better able to answer this—I know that West Virginia Tech is using transfer technology in the community. Is that going to be going on in any other part of the State, is the State looking at using of resources, is that a program that is going to be implemented in other higher education centers in West Virginia?

Mr. MIERNYK. I certainly hope so. I think the program that is being developed at WVIT is unique and does not need to be duplicated elsewhere. I have made myself somewhat unpopular among secondary schoolteachers, and higher education administrators, by advocating publicly in a number of forums the need for consolidation, the elimination of duplication. In other words, making education as efficient as we can. And again, that can be done without massive infusions of money if we go about it by careful planning and elimination of duplication.

Mr. STAGGERS. I would agree with that too. It may not be very popular, but one thing I would again stress is that with all the technology, all the consolidation and administration, unless you have that qualified teacher in the classroom—I do not think there is any substitute for qualified teachers. In my opinion, we do not do as good a job, in both higher education and secondary education, we can do a better job—we do a very good job—the teachers do a very good job with what they have, I just think we can do a better job. I think the Federal role will be limited in the assistance and the technology and some of the help with both research and what-

ever, in higher education, but also some help in secondary education.

Mr. MIERNYK. That is absolutely true and I could not add anything to what you have said. I agree completely.

Mr. STAGGERS. Thank you. Our next witness will be Jim Christie, director of the Governor's office of community and industrial development. Mr. Christie, we told the other audience—you may have come in late—that your full statement will be entered in the record. We would appreciate it if you could summarize your statement within 5 minutes.

STATEMENT OF JAMES R. CHRISTIE, DIRECTOR, GOVERNOR'S OFFICE OF COMMUNITY AND INDUSTRIAL DEVELOPMENT

Mr. CHRISTIE. My name, for the record, is Jim Christie, I am director of the Governor's office of community and industrial development, and for the past 9 months I have served in that position.

First of all, I would like to thank the committee for allowing me to testify before you today and to present to you my views on rural development.

I have both lived and worked in rural West Virginia and before becoming director of the Governor's office of community and industrial development, I was general counsel and vice president of Grafton Coal Co. for 14 years. So I have seen firsthand the problems of rural West Virginia from both government and from the private business perspectives.

I have presented to you a paper which sets forth my comments regarding my position on the ARC, Appalachian Regional Commission, and also some of the summaries and findings that the Governors of the ARC have set forth in the effort of developing rural West Virginia.

What I would like to do, as Congressman Staggers said, is to submit that for the record and just make a few comments.

When you look at rural West Virginia, and really the rural areas of any part of this country, and you think back how they were developed on a nonagricultural basis, you will see that it was either mineral extraction mostly or manufacturing. And in both of those cases, you ask yourself why did they develop in a particular area, and it was usually one of three reasons.

First, it was that it had certain natural resources that made it competitively—gave it a competitive advantage or made it attractive, such as water, coal, gas, whatever it may be.

The second is that its location may have given it a competitive advantage. It was located close to maybe some natural resources or close to a particular market.

Third, that it had a supply of labor, a sufficient supply of labor that made it attractive, maybe the cost of living in a particular area.

Now the first one here with the mineral extraction and the manufacturing, with the foreign competition and with the mechanization of the mining industry, we have seen a lot of our jobs disappear. And so those attractions to businesses no longer exist.

And so that leaves the third area—well the second area, which is transportation, with the interstate system, that took away a lot of the advantages of the rural areas.

And now we are looking at the labor supply, which I think is probably one of the advantages that still exists. When you look at the area from Boston all the way down through Charlotte, you see that those areas have grown tremendously in the last 10 to 15 years. I can remember when I went to school in Washington, DC, I thought it was a big city, but Dale City was way out in the country and now Dale City is considered one of the close suburbs to Washington, DC. Now Martinsburg and Frederick are suburbs of Washington, DC.

So what is happening is the people from the rural areas, because of the lack of jobs, are going to the big cities. We need to discover a way that we can reverse that trend and I think when we talk about designing plans, when we talk about designing legislation that will do that, I think we need to take into consideration how we are going to reverse that trend. And we need to identify industries, industries that do not necessarily need to locate in a particular area, that there is no—there is no reason why it cannot be anywhere. Now today that is possible.

Let me just give you three examples. First example is that in the next 10 years in this country, we are going to be building several hundred prisons. A prison is an industry in and of itself that provides a lot of jobs, a lot of support jobs and they are usually good paying jobs. They can be located anywhere. They can be located in the most rural area or anywhere in this country. You can transport the prisoners. In many cases, we are looking at constructing new prisons and when you look at some of the sites they are in urban areas, when they very well could be in rural areas and provide stable economies that have never existed before. The second is in the telecommunications system. This country has a good telecommunications system and in particular West Virginia has a great telecommunications system. The rural areas should be doing a lot of the backroom work for the Washington, DCs, Bostons, and Charlottes and we can be doing that. Now when you look around at the big cities, you will see signs at McDonald's for $7 an hour. Why? It is a labor supply. We have the labor supply in West Virginia and we have it in other rural areas, we can be doing a lot of the backend work—bill collection, claims service, reservations. Next year when you are in Washington, DC and you pick up the phone and dial 411 to get some information, it will ring in Beckley, West Virginia. That can happen everywhere, and what needs to be done in order—you need facilities, and maybe when we look at legislation, look at dollars that would provide incentives for shell buildings to remodel downtown buildings in small areas. A city of 5,000 people could have a staff of 100 to 200 people to do claims service.

The third area is data conversion. Data conversion is going to be a huge industry in the future. When you can take a room this size of paper and put it on three or four disks the size of a 33 RPM record that will hold half a billion—and I say billion with a B—pages, that is going to be done in the next 10 years because we are being—the voluminous nature of the paper business in this country

and of government and big corporations, is going to dictate that we convert all this data onto these disks. Now all of this can be done in rural areas where there is, one, a labor supply, a sufficient labor supply, and two, where there is a cost of living that will allow it to be done economically. Obviously in the Washington, DC area it cannot be done economically because of the cost of labor in that particular area.

So I think when we take a look at what can be done, we talk about partnership of the Federal Government and the State government, it has to include the local government, it has to include the private sector, and it can be done, but we need to identify industries—and that is the first thing, I think it is most important to identify the types of industries that can exist in the rural area and that can thrive and that do not necessarily have to have natural resources or transportation advantages. I think rural areas have the labor supply that we need.

I do appreciate the time, it is 5 minutes. The paper sets forth a lot more. I will be glad to answer any questions you may have.

[The prepared statement of Mr. Christie appears at the conclusion of the hearing.]

Mr. STAGGERS. Thank you for your testimony. The gentleman from Oklahoma.

Mr. ENGLISH. Thank you very much.

Mr. Christie, I would like to say thank you for your testimony, I think you did an excellent job of making some very important points and I look forward to reading over your testimony. Thank you very much.

Mr. CHRISTIE. Thank you.

Mr. STAGGERS. Let me make a couple of observations. One of the things I have found in traveling around communities in West Virginia in my district, a lot of communities do not want to change. They like the way they are. They do want the opportunity for young people to be able to get a job when they get out of high school.

You mentioned some examples of things that we could do. The one I do not particularly like is the prison, because I think we can do better than that. In fact we are doing it in the Second District now. And I think it is really—and I hate to keep beating this issue, but I think it is tied to an educational commitment that needs to be handled in the communities, maybe a vo-tech center. In fact, I have talked with managers of businesses and they say they are surprised how easy it is to train those individuals. Whereas in an urban area it takes up to 2 months, it is taking them only 2 weeks in West Virginia. So we do have a lot to be proud of in West Virginia. We do have an over-supply of men that do have a lot of pride and especially as long our teams keep winning.

I do want to make another observation and I touched on it a little bit and I think Glenn touched on it earlier with the last speaker. This lottery mentality that a GM plant may be dropping down out of the sky and providing all of the solution to our economic woes. It probably is not going to happen any more than the chance that you and I have of winning the West Virginia lottery and retiring. The chances are not real good.

But we do have a lot of individual things here and I think that is the importance of any type of Federal legislation concentrating on the local level, grassroots level.

I have had a lot of resistance to the prison idea in communities in my district.

Mr. CHRISTIE. I acknowledge that a lot of people get upset with that concept, but the fact is there are going to be several hundred prisons built whether we like it or not. I mean the need is there and when you go to places like—go to Moundville, go to Joliett and ask the people if they would like to see the prison gone and you will see them just—I mean they will stand on their head, they will go crazy. And so it is just an idea that people are scared of the unknown.

Let me make one further point on legislation. In West Virginia, one of the difficult things we have found is the lack of the facilities when companies do come in and look at West Virginia. We need a program of building shell buildings, of updating buildings within downtown that could be utilized for data conversion, telecommunication systems that I am talking about.

I think there are some real incentives—access roads, infrastructure—that needs to be done to support these. I think West Virginia loses a lot of industry because we just do not have those in place at the time.

Mr. STAGGERS. I agree. Thank you.

Mr. CHRISTIE. Thank you very much.

Mr. STAGGERS. The next speaker will be John Hurd from the West Virginia Chamber of Commerce.

Let me make an aside. He always comes down to Washington and he gets to ask all the questions, so I am looking forward to being able to ask him some questions now.

STATEMENT OF JOHN D. HURD, PRESIDENT, WEST VIRGINIA CHAMBER OF COMMERCE

Mr. HURD. Thank you, Congressman.

Mr. Chairman, good to have you in West Virginia.

Mr. ENGLISH. Thank you.

Mr. HURD. We hope we can give you some beneficial information.

West Virginia's population, as you have probably found out, is basically 75 percent rural, 25 percent urban. We have had a population gain from 1970 to 1980 of about a quarter million and will probably lose three-fourths of that amount from 1980 to 1990. The only people that are really concerned about that I guess are Congressmen, because we will probably lose one congressional seat as a result of that.

The urban areas I think have been population losers as well as the rural areas in this State. Most coal mine employees do live in rural areas. Coal mine employment in West Virginia once was as high as 145,000, it is now less than 25,000. Manufacturing peaked at about 135,000 as recent as 15 to 20 years ago. It is now less than 90,000. Because of declining employment in coal primarily, the need for rural revitalization has become more pronounced.

Retraining and education especially are critical needs. Vocational training for skilled jobs results most frequently in recipients who have to move then to other States to apply their skills.

I am not, nor are others in the State chamber of commerce in West Virginia, experts in rural redevelopment or revitalization. That is a frank admission to make, we have not given great concentration to that. Congressman Staggers has reminded me frequently in our visitations with him in Washington that the chamber of commerce should be giving more attention to the needs of the rural economy as opposed to urban economy.

But we would like to recommend that we maximize colleges and universities to do these things; to develop and coordinate research to characterize more precisely our rural population, those who need help, those who do not, those who want help, those who do not want it; that the colleges and universities endeavor to create a program that will enlist student volunteers in their junior and senior years of college to assist in research and to promote education, basic and vocational, with field activities, meeting with young persons, their peers, in rural areas to implant in them the value of education and to communicate with them on a peer level basis. We think a program like that could be coordinated by the existing extension service and this would in turn I think introduce our young people who are in higher education to some of the real problems of society, as opposed to some theoretical problems that they might have in the classroom. This is vitally needed I believe in West Virginia; we should utilize community colleges primarily to devise and coordinate a rural learning strategy, a rural retraining strategy, if you will; we should establish an ad hoc local/State/Federal group made up of representatives of the various agencies that you have spoken of that will identify and evaluate government assistance programs as to their impact on rural lifestyles in past years and to determine their cost/benefit impact. I am thinking mainly of the help that is given in regard to rural areas, highway development, water and sewer development, utility services, health care, and education. And they also should utilize recent studies that have been developed in regard to rural services such as health care; we should provide a continuing orientation—and I think this is most important—for public officials at all levels on communications techniques because we have, I think, mainly among rural people, frustration, confusion and even times fear about dealing with government officials and government assistance. They simply do not know where to go or how to handle situations.

I believe that legislation should unmistakably identify rural revitalization as a long-term commitment rather than a short-term objective. It is as important as the war on drugs, the war on poverty or others that we are more familiar with; and we should give extraordinary emphasis, where feasible, to promoting agribusiness in a more visible manner. Universities and colleges should have increased general funding and seek foundation support to fund their activities on specialized rural programs. I will follow my oral testimony, Mr. Chairman, with a written statement that will be forwarded to the committee, and I appreciate the opportunity to be here.

Mr. STAGGERS. Thank you, Mr. Hurd. Mr. English.

Mr. ENGLISH. Mr. Hurd, you were making the point that many small rural communities—and I wholeheartedly agree that they do not know where to go in seeking assistance—as I said in my opening comments, we have in excess of 100 programs in the Federal Government to assist in rural development. I have not found many people who are specialists in rural development that can name more than about a dozen off the top of their head. So we have an awful lot of programs out there that evidently not very many people know about.

In putting this together, looking particularly from the standpoint of the Department of Agriculture and the programs contained there—about half of the money is contained there, as I said—should we—should that be a role for the States to fulfill? Should the States be the ones that have the responsibility of assisting and supporting their local communities and making sure that they are aware of what programs are available and how they apply, or assisting them in making application to these programs?

Mr. HURD. I think the government representatives that are situated in those States could develop, along with private sector people, strategy for making rural people more aware of programs and how to utilize those programs.

Mr. ENGLISH. The difficulty, as I see it, is if you have over 100 programs out there, you are going to have to spend an awful lot of time—if you are the person who is in charge of that, you are going to have to spend an awful lot of time making sure you are up-to-date on not only what those programs are, but what may be the change in guidelines criteria, rules, regulations, whatever it may be with those programs. Should that be a State responsibility or should we develop something within the Federal Government to carry out that kind of responsibility?

Mr. HURD. I think with 100 programs, it would take the responsibility of all the people we could find to communicate that much activity.

Mr. ENGLISH. Well the difficulty that I guess I have with that though is if you have everybody in charge, nobody is in charge. There has to be someone who is designated, that is your responsibility and you have to carry that out. And I am wondering where that responsibility should be placed. Some people have suggested maybe the extension service through State universities should be the one who has that responsibility. But that is going to be one of the difficulties. I think—and Harley was talking about this earlier—this has to be one of the keys as to how in the world we can get local communities out here with 3,000 or 4,000 or 5,000 people, they are not going to be able to go out and hire some grantsman to go off to Washington to come up with assistance to meet whatever their needs are, and it should not be necessary that they have to do that. So somewhere in this we have—whether through the State or through the Federal Government, we have to put together some kind of program, which Harley is going to be addressing in his legislation and I am going to be very interested to see that, how he hones in on that, because I think that is a sorely needed development and I appreciate, Harley, you doing that. I do want to complement you for that and I am looking forward to that.

So I am sure Harley would be happy—if you have any ideas to suggest to him for his legislation and I am going to be looking to him to help us develop that aspect of it.

Thank you very much.

Mr. STAGGERS. When you talk about losing a Congressman, I cannot resist pointing out that the Second District is actually gaining population. [Laughter.]

In fact this area right here I think is going to continue to expand also. Part of West Virginia is doing very well and I think that indicates that we do not have any inherent problems because we are from West Virginia. Part of the State is doing very well and we just need to make sure we get the other parts of the State that have some of those obstacles to development.

The chairman is right, I think the legislation—and you may be excited about the legislation too because what it will do is have cooperation from the State and Federal Government, USDA will pay the salary, but the Governor will have to agree to pay the support; transportation, office space, telephone, that type thing. So this is something unique. And a State does not have to do it, if they opt out and say we do not have any money, they will not get the person to come in, but it is a cooperation between the State and Federal Government that will actually do what the chairman is talking about, coordinate that outreach to make sure that people know what is available in these small communities.

Mr. ENGLISH. Could I add one point, Mr. Chairman, on that.

Mr. STAGGERS. Yes.

Mr. ENGLISH. I think that a lot of what we can do in this area, education—and I think we will be able to do some things in education quite frankly, I know that is not expected out of the Agriculture Committee or the Department of Agriculture, but I think there are going to be some areas where we do have responsibilities as far as communication is concerned through the REA, in making loans to rural telephone cooperatives and that sort of thing. So I think there are some things.

In my own State, we do have a project that has been underway for a couple of years that is extremely successful right now using fiber optics, and we have a number of our rural schools—in fact about half a dozen of them—that are sharing teachers, and it is working very well. The satellite thing where you do not have a two-way communication is somewhat of a problem, but this allows two-way communication, so you do have an exchange. You may have a teacher that is teaching three or four different classes at one time in different schools.

So there are some things that are going to take a little different approach than what we are used to and I think that so many of the programs that we have today were written for urban areas, they were not written for rural areas, and we have different needs in rural areas. And if we are a little bit innovative and make a few adjustments and changes here and there, we are going to find that we can do a lot of things that we did not think we could. And this may be another one, I have a librarian that was giving us some support from the standpoint that through the library system they can—and through the satellite information that they have with computers, they can pull all this information into the community,

into the library and they can see every government program that is available all the way up and down the line.

We are doing some work with regard to a bid assistance center, a program underway in our State, vo-tech—I am not sure what you call it—that allows smalltown manufacturers to compete for government contracts.

A lot of technology here is coming on line that is making some things possible that we have not had before. So I think it is going to be an exciting area and I think you are right that we can do some things that people may not be expecting.

Thank you.

Mr. STAGGERS. John, let me ask some more questions.

What is the likelihood of existing private business in the State cooperating in this type of thing. For instance, if we do put a USDA employee paid by the State for its office space and whatever—what would be the likelihood of existing private businesses in West Virginia cooperating in that area?

Mr. HURD. I think that would be an interesting challenge. I think probably the total economy should have an interest in the total development of the State; all the problems, all the shortcomings, and all the plus features of it. And it may be an interesting challenge and I would be willing to help with this at the chamber to maybe challenge the various business and trade associations and other private sector groups to bite off a small segment of rural development, if you will, to make a contribution to improving the overall economy of the State. I think when the basic bottom line is economic improvement, we should like, length and breadth, I think at what makes the total economy go. There is still a large rural presence in the State and I think all of us should have a stake in it. And as I say, I would be willing to promote, with other business and trade associations to examine what contribution they might make, for the common good, if you will, in the problems of rural areas.

Mr. STAGGERS. Thank you, sir.

The next panel we have is a little out of order, it is one of the exciting panels, it is a unique problem facing all of rural America, and I do not know whether the chairman has heard this or not. We are going to hear from Chris Weiss and Kate Fitzgerald about women and employment.

Mr. ENGLISH. I want to welcome you both this morning, and if you would please, summarize your testimony.

Ms. FITZGERALD. Good morning, I am Kate Fitzgerald, director of Community Economic Development for Women and Employment, and in fact because of time constraints, Chris will read the testimony we have prepared.

Mr. ENGLISH. That will be fine. Ms. Weiss, please proceed.

STATEMENT OF CHRIS WEISS, PROJECT ASSOCIATE, MS. FOUNDATION FOR WOMEN AND WOMEN'S WORLD BANKING

Ms. WEISS. Good morning. My name is Chris Weiss, I work for the Ms. Foundation for Women and Women's World Banking, both of them New York-based organizations, but I get to live in West Virginia.

We want to thank you for the opportunity of speaking to you—of being able to speak to you about the development needs of rural women. We are here both as rural women from Lincoln and Logan Counties, and as employees of organizations working with rural women's development projects. Together we bring a national and State perspective on this topic.

The Ms. Foundation for Women is a national organization which provides seed money for women's organizations seeking to supply solutions to many of the problems plaguing women in the United States. It has supported projects ranging from the needs of battered women to career choices for young women. I work for an economic development project that assists women with income-generating projects in their communities throughout the United States.

Women's World Banking is an international women's organization with affiliates here in the United States, the first affiliate here in West Virginia, to provide access to credit for small microenterprise businesses.

Women and Employment has operated for the last 10 years in West Virginia and has developed programs that assist women in nontraditional job choices, small business development training for rural women on welfare, and credit programs for microbusiness loans.

Rural women's organizations have demonstrated their effectiveness in several ways. First, is that they have diversified programming, combining human development with economic development. Women and Employment has an information and referral service, a job assistance program for women in homeless shelters and an entrepreneurial training program including a special program for people on welfare. We have also provided technical assistance to three worker-owned cooperatives and several other community groups interested in starting economic ventures of their own. These activities have resulted in jobs, income, and self-esteem for rural women.

Second, these organizations operate out of a solid knowledge of their communities; seeking input from their constituencies in order to develop programs. The needs and resources of their communities are known by these groups. Development is done from the bottom up, assuring program interest and broad-based community involvement. However, too often these interests are surfaced with little money available for specific projects. Day care, training, and transportation are all examples of identified interests with little available funding.

Third, these organizations have an advantage because they understand it is critical for rural development to include women on a primary level. We can take a lesson here from international programs working with women. They have learned that if the goals of development include improved standards of living, removal of poverty, access to dignified employment and reduction in societal inequality, then it is quite natural to start with women. Women constitute the majority of the poor, the underemployed, the economically and socially disadvantaged in most societies. These organizations have also learned that if the income of women is increased, more people benefit. Women tend to spend their increased income on their families, on food, clothing, and shelter. Men spend in-

creased income on consumer goods. If government wants to put its money on development projects that will affect the most people, it will target programs that increase the incomes of rural women.

With these observations in mind, we would like to present two concrete recommendations for this committee.

One, we believe that rural areas and rural women suffer disproportionately from a lack of available capital needed to fuel development. We have seen a great need for small amounts of money, between $2,500 and $15,000 to be made available for local rural development needs. We ask the committee to take action to ensure these small amounts of money are made accessible to microentrepreneurs and community development groups.

Two, we underscore the recommendation in Senate bill 1036 that community-based organizations be utilized to deliver programs to rural people. We have told you first hand how groups have been effective with the limited funds currently available. We are particularly interested in seeing rural women's organizations targeted for funding.

We congratulate the committee for its foresight to hold hearings on rural development concerns. It is the first time in many years that rural concerns, other than agriculture, have been noticed. In drafting new legislation, we ask that the needs of rural women be recognized, not ignored, and that women's organizations be given the opportunity to show that the future of healthy, rural economies starts with women.

[The prepared statement of Ms. Fitzgerald and Ms. Weiss appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you very much, I appreciate it.

And let me say it is a little bit unusual. Usually we draft legislation and then we hold hearings. In this case we are holding hearings before we draft legislation, so we wanted to try to get some input. I think that you have made some good points.

The thing I wondered is you were mentioning here in West Virginia that there is an effort under way to provide financial loans—financial services to women in particular. What kind of assistance does that endeavor need in order to provide credit to women who want to be entrepreneurs in rural settings?

Ms. WEISS. Training and technical assistance as well as credit. But primarily what we are asking, the programs that are in existence now around the country are either revolving loan funds or guarantee programs, which is what Women's World Banking runs. Primarily what we are interested in is encouragement to the banks to guarantee funds, and/or give technical assistance, so that the banking industry will look positively at these very small loans, which are difficult for them to make. And then also assistance for revolving loan funds so that there can be an alternate source of credit in case of capital gaps.

Mr. ENGLISH. What kind of business could you help with $2,500 to $15,000? That is not much.

Ms. FITZGERALD. No, it is not—what we are talking about are microbusinesses. Women and Employment has recently finished a training program of 36 people who have been on public assistance, in this case it was both men and women, and there are 20 people selected to go on for kind of a second phase or further assistance.

But these businesses range anywhere from basket gift shops to home improvements to electricians. And what we are finding in some cases is actually in some cases capital needs are even less, we are talking of a $500 inventory startup loan where you have the business, but you do not have the capital necessary to do that. Another instance is you are talking about purchase of tools or equipment in terms of some of the construction work.

So it is varied, but what we are talking about are real small businesses, and what we have found is that the traditional banking community does not have a way to evaluate these types of loans, looking at what collateral expectations are and that sort of thing. So I think that within the traditional system, there is much that can be done with a little bit of encouragement to banking institutions.

Mr. ENGLISH. Let me also say in my part of the country, I am not sure about here in West Virginia, we find it extremely difficult for bankers to make loans in rural communities, period.

Ms. FITZGERALD. Yes.

Mr. ENGLISH. Simply because of the fact that bank examiners really give them a hard time. This may be a particular problem, not just for women but everybody in rural areas trying to start up a business, they are having real difficulty with that.

Ms. FITZGERALD. Yes.

Ms. WEISS. But let me point out that particularly here in West Virginia, we have a large—what we call informal economy where there is a lot of economic activity that goes on in rural areas. And one of the objects, it seems to me, of rural development is to make more efficient, in economists' terms, that economic activity which is going on in rural southern West Virginia anyway. We have the lowest labor force participation rate in the State of West Virginia in the country. But that does not mean that 100 percent of the people do not work. A lot of times what those people do is a lot of trading and selling of goods and services. They lack credit to make that sort of activity more efficient.

There is a lot of work to be done, but I think we need to be starting very small with looking at some of what is already going on in southern West Virginia.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. STAGGERS. One of the problems I see with any business is the relationship of the markets. You mentioned capitalization, whatever, but unless there is a market—and I think that is one of the shortfalls that we find especially in the State of West Virginia—my legislation will actually have an individual located in West Virginia whose responsibility will be to develop a plan through the local communities, not coming and telling people to do it, letting them develop and coordinate the information and assemble the information that has been requested and getting it to them for these Federal dollars, working with the State or whatever.

The other thing it will do is actually look at marketing strategies in trying to get a network from business, financing, whatever, and try to get that together.

Does that fit into your concept of what needs to be done?

Ms. FITZGERALD. Yes, very much. And I think one of the things that again needs to be looked at is how we traditionally define com-

munity and who is involved. And that in any rural community or in any community, certainly it is important—you have your leaders and your political officials and that sort of thing, but I think that when you are talking about a true community development plan, it needs to look beyond those kind of people who are perhaps monied or control—power brokers in the community. And so I think a real critical piece is some of that technical assistance, but as that person is working with local communities, it is really working with a representative grouping of the community. But I think that is very helpful.

Ms. WEISS. I would like to add, I have recently done some work with a foundation to survey the numbers of community-based organizations in West Virginia that are actually doing development work. These are largely unknown to government officials here in the State. They range from a very small organization in Matewan that is putting together a local plan for tourism in the area, to a quilting cooperative in Clay County to you name it. There are lots of little organizations trying to do things, but somehow because they are not identified as the private sector, private industry—these are nonprofit organizations—they get ignored in the planning process.

So I would like to encourage you to make sure that the nonprofit organizations are included in the sort of targeting you are doing.

Mr. STAGGERS. I think there is some language that talks about expanding the type—one of the things I would like to expand also is the younger people in developing leadership also.

Thank you all.

Ms. FITZGERALD. Thank you.

Mr. STAGGERS. Next, we will hear from Chet Fleming and Fred Stottlemyer.

STATEMENT OF FRED D. STOTTLEMYER, PRESIDENT, WEST VIRGINIA RURAL WATER ASSOCIATION, AND VICE PRESIDENT, NATIONAL RURAL WATER ASSOCIATION

Mr. STOTTLEMYER. Chairman English and Congressman Staggers, I appreciate the opportunity to appear before you this morning. I am Fred Stottlemyer, president of the West Virginia Rural Water Association and vice president of the National Rural Water Association. I would particularly like to thank you for bringing these hearings to rural America. This is just great.

The primary goal of both our State and national associations is to improve the quality of life for rural Americans through the provision of quality, safe drinking water.

Thanks to your committee, our association presently operates a technical assistance program which is funded through the Farmers Home Administration system. This program provides hands-on technical assistance to rural and small community public water systems through a circuit rider who travels throughout each State.

In addition, our association operates through an EPA grant, a training program for rural water system personnel in 36 States and are planning to expand in the coming year to 43 States. This program focuses its efforts on assisting rural and community water systems to comply with Federal safe drinking water standards.

Also, our national association is presently operating an experimental program to provide circuit riders for wastewater in 15 States. And after 1 year of operation, it is clearly pointed out there is an overwhelming need for the circuit rider program in wastewater across the Nation.

As you cross the Nation hearing testimony and analyzing that testimony, I urge you to look closely at the importance of sound and safe drinking water and adequate, environmentally safe waste disposal in the development of rural America. Without safe drinking and adequate waste disposal, I am fearful that any efforts we make to develop rural America are doomed to failure.

Over the years, your committee has been the only group in Washington who has been looking out for the rural water and wastewater development. For the past 8 years you have had to turn back repeated efforts by the administration to destroy the well-established Farmers Home Grant and Loan Program. Over this same period of time, the funding level and the buying power has decreased to almost 20 percent of its 1979 level for that program. However, due to your efforts it is still intact and we do have a solid base to build on.

To understand the water and wastewater needs for developing our rural communities, I believe we have to look at the current status of those communities. Many officials in our urban dominated government have basically taken the rural areas for granted. They just assume that they are there to provide the fuel, the food, the natural resources, the water supplies and the recreation needs.

In many cases, our rural communities and their water systems were established years ago to provide the manpower and service necessary to meet the needs of urban areas. As the manpower needs of these rural industries have changed, these communities have generally decreased in size and there are far fewer people to pay for the water and wastewater facilities necessary for a decent quality of life. At the same time, the EPA has determined that it is feasible for Americans to absorb a doubling of their water bills to pay for the costs of meeting the newly promulgated safe drinking water regulations. Many of our rural communities are faced with financial and physical collapse of their water and wastewater systems.

To illustrate the point, I would like to present to the committee copies of a video documentary entitled "Ten Miles to Fetch Water." This documentary vividly illustrates the decline and near collapse of a number of rural water systems in what was once the most productive coal mining area of West Virginia. I urge the committee to view the tape, as it could be a prophesy of the depressing conditions that we will witness across many rural communities in the Nation if we fail to take immediate action as a nation to invest in the water and wastewater systems of rural America.

Many may say there is no hope for rural communities and that to invest further in them is a waste of Federal funds. I believe we must point out to these skeptics that rural communities are the homes of millions of Americans who have invested their lives of hard work providing urban America with necessities of life. For several generations, these rural Americans have invested in their homes and in the communities, and I believe without a doubt that

the most economic place for these people to live and be housed is right where they are.

However, if these rural communities are to have adequate and safe drinking water, we as a nation must strengthen our investment in these facilities. I urge the committee to include a strong component for water and wastewater development in the rural development bill. And I urge the committee to utilize the Farmers Home Administration as the vehicle for implementing this effort. This agency has a proven track record. It has one of the lowest loan default records of any Federal program and we encourage you not to start over experimenting with new agencies, but to build on the base that you have worked so hard to protect the last 8 years.

I request that you also consider the development of a mechanism that provides a strong incentive for State government to participate financially in the effort to expand and improve rural water and wastewater programs. Unfortunately the need for rural water and wastewater investment is often ignored by States, including my home State of West Virginia. Indeed West Virginia has serious financial problems, but I do not believe the past practice of passing the buck and that the vast majority of the financial burden must be borne by the Federal Government can be allowed to continue. State government must be forced to be a significant partner in this effort.

The economic vitality of urban America and the increasing importance of protecting our environment is dependent, to a great degree, on the natural resources of rural America. As the caretakers and the reapers of this natural resource base, rural Americans deserve the opportunity to have safe drinking water and environmentally sound waste disposal systems. Investment by urban Americans to provide these facilities is not only reasonable and fair, but is economically sound.

I thank you for the opportunity to appear before you and urge you to take a few minutes to view "Ten Miles to Fetch Water," and listen to the voices of those rural Americans who travel that 10 miles.

[The prepared statement of Mr. Stottlemyer appears at the conclusion of the hearing.]

Mr. STAGGERS. Mr. Fleming.

STATEMENT OF CHESTER E. FLEMING, PROGRAM DIRECTOR, WEST VIRGINIA RURAL WATER ASSOCIATION

Mr. FLEMING. Fred and I prepared our testimony separately, but we covered a lot of the same territory, but I would like to make a point about what we as the West Virginia Rural Water Association do.

We probably have as much contact with the administrators, managers and so on of the water and wastewater systems in the State of West Virginia as any organization. We come face-to-face with them. I make over 300 visits to small systems each year and our circuit rider makes over 400. So that puts us in a lot of the offices and the plants of the water systems across the State, and we see the conditions that exist there.

My usual greeting when I arrive at an office is that I am from West Virginia Rural Water and may we help you in any way. The normal response that I get is do you have any money. Funding is the problem at this time.

You said before that you had identified the problems and now you were looking for some of the solutions. My suggestion is that as far as wastewater and water treatment facilities in rural West Virginia, funding is the solution. It is almost nonexisting on the local and State levels and so what is available now primarily is the Farmers Home Administration funding for these facilities right now.

So I can assure you that the need is there and will be greatly appreciated by those people who are desirous of improving their conditions and have no means to do it because of the lack of funding.

That is all I have.

Mr. STAGGERS. Mr. English.

Mr. ENGLISH. What percentage of West Virginia is covered by rural water districts?

Mr. STOTTLEMYER. The exact percentage I do not have, Mr. Chairman.

Mr. ENGLISH. Give me a rough estimate.

Mr. STOTTLEMYER. There are 450 public water supplies and probably another 300 to 400 private water supplies. It probably covers 45 percent of the State population.

Mr. ENGLISH. Forty-five percent of the State's population.

Mr. STOTTLEMYER. Yes, sir.

Mr. ENGLISH. What about your geographic coverage?

Mr. STOTTLEMYER. The coverage of—well the State is basically——

Mr. ENGLISH. The State is one great big water system.

Mr. STOTTLEMYER. There are many areas that are not covered by any public water supply.

Mr. ENGLISH. What percentage of the needs are you able to respond to as far as the rural communities are concerned?

Mr. FLEMING. I might be able to help you a little bit with the size of the systems. There are only about 12 water systems in the State of West Virginia that serve populations greater than 50,000, so throughout West Virginia small water systems are what serve the public or what is available to the people. The number of systems that Fred identified to you are community systems. There are many noncommunity and industrial systems, so there are approximately 2,500 total systems, but of this about 700 are community systems of the type that we address.

Our association addresses only nonprofit, publicly owned water systems. That is who we provide assistance to. Those systems that are eligible for Farmers Home Administration financing, would be probably the best description I could give you of those systems. We have as members that have joined our association over 100 systems. We are in our fifth year in the association and there are probably 300 other systems that we provide service to under the circuit-rider program and the EPA training assistance program.

Mr. ENGLISH. Let me try to go at it a little differently then. How many loan applications have you taken in the last year, what amounts?

Mr. FLEMING. We have not processed any loan applications. Is that the questions, loan applications?

Mr. ENGLISH. Yes.

Mr. FLEMING. No.

Mr. ENGLISH. What I am getting at, you were talking about the shortage of money, there is no money available, how much money, Farmers Home money has come in here with regard to rural water systems in the State of West Virginia in the last 12 months?

Mr. STOTTLEMYER. I believe it is several million dollars, I do not have—I am not that familiar with the exact composite of Farmers Home money, but it is several million dollars. The need is—because of the decline in the program and the funding over recent years, I believe there have been less applications submitted than would otherwise be there.

Mr. ENGLISH. Of those applications that have come in, what percentage of them were funded?

Mr. STOTTLEMYER. I am sorry, I do not have that answer. We do not handle applications, so I just do not have that answer.

Mr. ENGLISH. Any idea how many of those applications are approved?

Mr. FLEMING. No, sir. Mr. Chairman, I would tell you that during my visit, almost invariably if I come into a system that has a new or modern looking plant, there is almost always a Farmers Home loan in back of that plant. And it is my response to them when they ask about funding, is have you checked with Farmers Home Administration, because that is the only likely source that I can recommend to them.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. STAGGERS. One of the stories I like to tell, because I think it describes the problem of some rural communities, is that after the flood of 1985 up in Albright, I went in, I had good news, I thought that FEMA would come back in and replace that with a new system, the water and sewer treatment—or the water and sewer system. And the mayor was not sure that they wanted it because they could not service a system like that. I think that was mentioned by Fred earlier, that there is a problem there also.

You mentioned that really the solution is funding. I guess what we are here to tell you is that we do not have a whole lot of money either.

Mr. FLEMING. I understand.

Mr. STAGGERS. This bill is not that far-reaching, that we are going to be able to solve the problems.

One of the things that I have tried to do with one piece of legislation is provide incentives for cooperation. Taking the Albright situation, if you could eliminate some of the costs of just administering that with cooperation between say Kingwood and Albright, a local large community helping a smaller—incentives along those lines, would that help the situation in West Virginia that you all see?

Mr. STOTTLEMYER. Yes, definitely. The cooperative effort definitely will help between systems, and there often is a cost of physically connecting systems to make things work that sometimes in the

shortrun is greater than trying to solve the problem right there at the site.

Mr. STAGGERS. What about alternative systems, as opposed to just connecting, is that an alternate?

Mr. STOTTLEMYER. From the standpoint of wastewater, alternative systems will work in reducing cost. It is still very expensive. They may bring the cost down to $5,000 a family from $10,000 a family, but it is still a lot of money. Alternative systems on water supply have not really been investigated. It may be in some of the very small and stranded communities where safe drinking water cannot be provided through a public system, we are going to have to look at some alternate system of delivering safe drinking water through vending machines or bottled water delivery to homes or something like that.

Mr. STAGGERS. I am thinking about in this county in particular, one side of the river you have fairly good water, although they have some obvious needs also, but on the other side, any type of connecting is basically impossible because of the river. What is the answer to say an Ansted water problem?

Mr. STOTTLEMYER. I would say it probably is feasible to cross the river with a proper water line. If you have water on one side of the river and need it on the other, it usually is economically feasible to cross the river.

Mr. FLEMING. The most recent cost estimate that I have seen for crossing in this area is approximately $50,000 to $60,000. It runs about $100 a foot to cross the river because the Corps of Engineers require that the pipe be buried in the river bed so it makes it rather expensive to use divers and so forth. But I have this past year heard that estimate.

I would like to bring you up to date on Albright too. You are aware that they are about to hook to Kingwood and will go on that basis, we had occasion to arrive at the Kingwood plant, the circuit rider and I, about 2 months ago and they were filling up a tanker there. And I asked them where they were taking it, it was headed to Albright, their wells had gone out on them. So we drove over to Albright and after about 1 hour our circuit rider was able to get their well back into operation so that they could at least have water in their system. So it is kind of a bragging point with us that we were able to restore their water, and I might suggest that if you look at our membership list, you will find that Albright now heads that list alphabetically.

Mr. STAGGERS. Thank you all.

Next we will have Charles Reese, who is becoming my favorite witness.

STATEMENT OF CHARLES D. REESE, PRESIDENT, PLANTS AND IDEAS, INC.

Mr. REESE. Good morning. My name is Charles Reese, I am president of a company called Plants and Ideas, Inc. Mr. Staggers is my favorite Congressman, he represents my district.

Mr. Chairman, you did save the best till last. We have a lot of scenery here and we have a lot of wonderful people like you have in Oklahoma.

I invite everybody to come and see us at Paw Paw. If you do not know where that is, that is just one of the reasons why so many people do not know what we have in West Virginia. There is a new magazine called West Virginia that talks about our wonderful State, I would recommend that you all get this C&P/Bell Atlantic magazine and read it, but certainly come and see us.

How do I see us sustaining rural development? I see us involving young people—I see us involving older people too, since I am one of those and would like to be considered. We have to do things with our curriculum. We have to do things with our training. This is not anything new to the people here in the State, it has been done before and we will do it again. Right now we export our young people. Everywhere I go I hear the virtues of the people from West Virginia, they come here and they do this, they come here and they do that. Wouldn't it be nice if they could stay home? We hear that said many times.

We are planning to offer internships. We wish to work very closely with the high schools in our area around Paw Paw to help young people find careers. Agriculture is the biggest business in this country, bigger than all the others put together. It is interesting to me that many people view it as a hobby.

A lot of counties are doing things. I heard people asking about how do you get started, and all I can do is talk about our experience, several of us working together.

The Department of Agriculture has a fine training program that explains how to use a data base called agricola. Agricola contains a wealth of information. In fact about 85 percent of all the agricultural information in the world.

I would say good ideas become plans, and good plans very often get funded. It is not easy. If it were easy, there would be more businesses failing than are failing now. But because people must plan well to get funded, they do succeed.

We are talking about a process here this morning—the process, whether you are running a town or a business consists of what you start with, how do you form a plan and how do you market your product? There are a lot of people involved with the process. When you are a graduate of a land-grant institution as I am, and when you have the benefit of all this technology, it is very difficult to say you did it by yourself—very difficult. I do not think anyone should have that idea, and all these things are driven by markets and markets are identified by demands.

We focused on new or nontraditional products and grew mushrooms. When I tell you that we drill holes in oak logs and stuff spawn in those holes and put little corks in behind them and some months later mushrooms come out, you find that difficult to believe. People with money found that difficult to believe too, but some of them did believe it—and we are now about to enter into another market you were just talking about—water.

All over the eastern part of this country, people do not like the water they have to drink. They have a lot of approved water supplies, but they do not want to drink the water. We have so many springs in West Virginia, so very many. There is a very fine publication called Springs of West Virginia that details all of them.

Some of you should read the report and maybe start up a bottled water company.

You must have monthly income and you must hit windows of opportunity. We produce mushrooms every week of every month of the whole year. We are going to be able to sell water the same way.

Someone said you should have a plan. You have to have a plan of what you are going to do now and what you are going to do 5 years from now. We intend to be diversified in 5 years, doing a whole lot of other things in the field of agriculture.

There is a very underserved market, a huge market that we are not very far from. Now we might not have very good roads in this county, but you do not have to get someplace in a couple of hours. If you have good products, you can deliver them to the metropolitan area. If we all wait for a good road, we will have to quit singing that song "Take me home, country road," which is one of the things that I like most about this State, that we do not have everybody sitting on top of us. If you want that, go to Rockville, Maryland. You can get a stomach full of it in just a few minutes.

So we are looking at vegetables and fruits and we are looking at fish—yes, fish, from a quarter acre pond. There are people in this State who can do all these things and we can value add things. We dry some of our mushrooms and get the same price we do for fresh. You can smoke some things and I am not talking about marijuana now. [Laughter.]

Some products may be canned, some milled or just repackaged. And there are a lot of people that are buying everything from compost to firewood.

We are getting into a firewood project called romance wood. The reason is that as logs are used up by the mushrooms hundreds of thousand of logs are available to become firewood. Why the name romance wood? Because this wood is put into a cubic foot box and sold to people who want to go up to the cabin for the weekend or something like that. It brings about $600 a cord that way. Marketing is always the answer.

One of the things that I would like to bring out too is that when people hear you are from West Virginia, they say oh, you people are entrepreneurs. Many people in rural West Virginia make part of their income in ways other than a job. If we can tap this resource, it could represent a tremendous opportunity.

These projects that I have talked briefly about are all profitable. We can create jobs here, keep dollars here locally and protect the environment. I heard someone say they did not want a prison built next to them, whereas there are some counties that do want a prison. So I think everyone should do what they want.

These projects, I would say in closing, require four things. The first thing is commitment. We have a commitment from the Governor with his partnership program. Here today are people like Sherry Heflin who has been very helpful to us, along with Mr. Christie, who spoke to you earlier. Delegate Jerry Mezatesta, the delegate has been invaluable to us. We have a great deal of commitment, from the Department of Agriculture, from the universities, from all these people. And last, but not least, Congressman Staggers is a prime resource in rural development.

We must cooperate and exchange information. We have to market all these things and there are markets out there. You can take all the food we can grow in this State and you can dump it into the Washington, Baltimore, New York, Richmond, major metropolitan areas, and no one will know you were there since the contribution will be only a small part of the consumption.

The next thing I would like to talk about is creativity. There is a lot of creativity here in this State. I heard much of it here this morning, people wanting to make something happen where there is nothing. Well, you really do not make something where there is nothing. All of us were given a great deal to start with and we in turn, if we are very thoughtful, are able to do something with that. West Virginia is a great environment in which to operate. We have a workforce—who still have the work ethic. People think that they should earn the dollars that they are paid. We have something called loyalty here and if you are running a business, you cannot ask for anything more than that, people who will work hard and who are loyal to you.

As Mr. Peterson, who recently brought Ford Motor Co. back from hard times, said, "It is absolutely surprising what people will do for you when you care for them and they care for you."

It all gets down to financing. Finding dollars to fund new products is a hard thing—if you get financing you know all about it, if you do not get financing, you think you ought to get it. And there are just those two schools of thought. But certainly whether you are after a small loan or a large loan, people who turn you down say your loan is either too small or too large. When you find somebody who will loan you the money, then evidently the request is the right size.

When you go into nonconventional things like we did, it is sometimes a little hard to get money.

In closing, come and see us in Paw Paw.

Mr. STAGGERS. Glenn, now you know why I am optimistic.

Mr. ENGLISH. Mr. Reese, that was very fine testimony, I appreciate it very much. Thank you.

Mr. REESE. Thank you.

Mr. STAGGERS. The next witness will be Rachel Tompkins. I do not think Mr. Schutz could come. I believe you are going to do the universitywide presentation.

Ms. TOMPKINS. I did not know Mr. Schutz was not here, but certainly.

Mr. STAGGERS. Oh, Frank is here, I am sorry.

STATEMENT OF RACHEL B. TOMPKINS, ASSOCIATE PROVOST, EXTENSION AND ECONOMIC DEVELOPMENT, WEST VIRGINIA UNIVERSITY, AND DIRECTOR, COOPERATIVE EXTENSION SERVICE

Ms. TOMPKINS. Mr. Chairman, Congressman Staggers, I am Rachel Tompkins, associate provost for extension and economic development at West Virginia University and director of the Cooperative Extension Service. I speak today on behalf of West Virginia University and also for my colleagues in the Cooperative Extension Service across the United States.

West Virginia University is a land-grant university and of course has a commitment to extend knowledge to people and communities to help them solve problems. We have been doing rural development for about 75 years now.

Recently, the president of West Virginia University paid special attention to this and identified economic development in this State as one of the five areas in which the university would make strategic investments, and we have reallocated over the last 3 years within the university to invest in our efforts to improve economic development.

As you know from previous testimony before your committee, rural revitalization is a major initiative of the Cooperative Extension Service nationwide and our folks have testified on behalf of that previously.

I want to say a few words about rural development in West Virginia and some of the things we are doing and then make some suggestions, as you consider Federal policy in this area.

West Virginia of course is a State that is two-thirds rural, the second most rural State in the United States, and we have a vital stake in what the Nation does in rural development policy. Just as you have heard that there are a diversity of rural areas across the country, there is a diversity within West Virginia. My drive from Morgantown today drives me through much of the diversity; coal, tourism, forestry, ag and food processing, manufacturing.

Policies need to reflect the comprehensive nature of that diversity. West Virginia is largely untouched by policies, rural policies that are only related to agricultural production.

Second, I would say there is such a diversity of economic development efforts going on in our State and elsewhere—in fact, some wag said last week that he thought that what we were doing to promote economic development was trying to get everybody employed doing economic development. There are economic development groups of all kinds at all levels of government. There are State policies and plans and services, higher education is involved, we have a variety of Federal agencies involved in this. Somehow we need to have a Federal investment which strengthens that existing network and strengthens it at the grassroots. This is not an area in which we need some new agency or some new coordinating body, but we need investment in strategic places that support those kinds of things that are important.

Lest you think I am only going to argue that we need to invest in the Cooperative Extension Service, let me give you another example of how I think this is done well. There is an outfit in North Carolina called Real Enterprises. It is a nonprofit organization that works with vocational-technical schools to help the young people in those schools create real business plans that are invested in by the Small Business Administration. Technical assistance is provided by the small business development centers, community colleges, the university. The whole State government economic development structure is involved in this. And I think that is another very good example of the kind of thing that can be done when a variety of agencies work together.

Third, there is a diversity of views on what rural development is and what is needed to achieve it. In my judgment, we have had an

overreliance and emphasis on extraction industries, though there is no question we need to continue to support coal and timber in this State. We have probably had an overreliance on industrial recruitment, but there is only so much we can snatch from each other.

Today, I think West Virginia understands that our rural development strategy must be one of "know thyself" and invest in people and communities.

Let me say a few words about that strategy and West Virginia's involvement with it. First, understanding the West Virginia economy and its place in the national and international scene is important. We must understand our place, our niches, our comparative advantage. West Virginia University is closely involved with State government in analyzing the economy and determining where our place is and in helping the State make decisions about strategic investment.

Tourism and travel is an area we have paid special attention to, not just in terms of promotion, but trying to figure out who is it that comes here, who travels to West Virginia, what is it that we expect, what sorts of expansion would create additional economic activity in communities here.

In timber, what kinds of things can we do to add value to our timber and especially now, how can we market that timber internationally?

Second, our strategy at West Virginia University is to work with the State in educating leadership at all levels. We have supported the Governor's partnerships for progress program by providing training for all the additional meetings of those groups. We are involved in creating training programs for emerging leaders through the leadership academy at the State 4–H camp at Jackson's Mill, and we are involved in providing educational programs for local government leaders who must make their way through the maze of the variety of programs that are available to them.

The third thing we are involved in is increasing technological literacy and capacity for the State's population. This is a job for all of us. Public schools are involved of course in helping children gain adequate technical skills. My colleagues in vocational-technical schools and community colleges are working to help young people develop not only skills with their hands, but their heads as well.

At West Virginia University, we have been involved with a project known as Software Valley. Everybody has one of these, trying to attract technological, software related resources to their area, but we have been particularly interested in trying to extend the software industry which is creating a base in Pittsburgh, south on Interstate 79 into our State and into rural areas.

Something else I have been very involved in recently is efforts to create an industrial extension program at West Virginia University. Forty States have such a program. West Virginia is making efforts to create one that builds upon our existing resources such as those here at West Virginia Institute of Technology.

The fourth part of the strategy is to build an infrastructure. We have talked about this over the years in terms of highways and other kinds of transportation, water, sewer, and health care. I would simply hold up the importance of telecommunications, which has been identified nationally by a number of other groups as an

area of important infrastructure development. It is particularly important for educational institutions in rural areas where travel and transportation and access is a difficult thing. If we can leap over the mountains with telecommunications and provide education to isolated areas, it is an important part of our strategy.

Those are some of the things that West Virginia University is doing in cooperation with State government and others, to encourage rural development in West Virginia.

Federal policy that will assist us is one that recognizes the diversity of rural areas, that strengthens existing units in Federal and State government and public/private initiatives that tap the diverse resources that are available to us.

A Federal policy that provides modest targeted funding to strengthen successful programs. For extension, that means investing in things like the Rural Information Center at the National Ag Library and investing in our ability at the State and local level to expand our resources to assist at the grassroots. For every dollar you invest at the Federal level, you get at least $2 and in some States you get $3 back in terms of State and local funds that are invested in similar kinds of activities.

And I think a Federal policy is needed that supports creative methods of infrastructure improvement and financing which use modern technology. Frank will address that in more detail.

We thank you for coming to West Virginia, we await your decisions with great interest as we continue our efforts to transform the West Virginia economy into one that will provide for our people and be competitive into the 21st century.

[The prepared statement of Ms. Tompkins appears at the conclusion of the hearing.]

Mr. STAGGERS. Thank you. Mr. Schutz.

STATEMENT OF FRANKLIN R. SCHUTZ, ASSOCIATE DIRECTOR, NATIONAL SMALL FLOWS CLEARINGHOUSE, WEST VIRGINIA UNIVERSITY

Mr. SCHUTZ. Chairman English, Congressman Staggers, I am very pleased to be here today to present our testimony from the Small Flows Clearinghouse on rural development needs.

My name is Frank Schutz and I am associate director of the National Small Flows Clearinghouse located at West Virginia University at Morgantown.

Compared to the other speakers who have spoken before me, I have a rather narrow point of view—rather narrow viewpoint. I want to talk about rural wastewater—only wastewater. This is because the National Small Flows Clearinghouse, which was established at West Virginia University under the 1977 amendments to the Clean Water Act, basically is in the business of providing information about low-cost wastewater treatment, specifically those low-cost wastewater treatment methods suitable for use by smaller communities of 5,000 residents or less. Small community wastewater flows are the "small flows" that are contained in our title.

Specifically what we do is we review and abstract literature, we collect information, we maintain a data base, we categorize infor-

mation and then we bring it back out to people who can use it. We publish two newsletters—I have brought copies of them. We distribute EPA publications and also we maintain an electronic bulletin board and I think most importantly a toll free 800 WATS number over which we get calls from the entire Nation, including West Virginia and everywhere—from Alaska we have been getting calls lately. Over this we have small community officials, engineers, planners, regulators, private citizens, anyone who has a question regarding wastewater calls us.

From this vantage point of the 800 line, we have access and we provide access to community officials throughout the country to tell us their problems and the problems they are facing in trying to provide wastewater treatment and most specifically complying with the provisions of the Clean Water Act, Public Law 92–500.

A significant portion of the wastewater treatment problems facing small communities and private individuals in unincorporated areas is really attributable to a scarcity of financial and managerial resources. Even with the beset of intentions, small communities just do not have adequate funds to secure the technical and managerial expertise which they need. To a small community which is headed by a part time mayor, a water or wastewater plant is a major investment and a major responsibility. It is even a greater responsibility to a group of individual homeowners such as myself who live in a subdivision where we provide our own wastewater treatment through our homeowners' association.

Having reviewed the proposed Rural Partnership Act, I am very strongly in favor and believe that the entry or proposed entry of REA electric cooperatives into water and wastewater would be a very positive step.

As a consulting engineer prior to joining the staff of the Small Flows Clearinghouse, I worked with small communities and have always been impressed with the professionalism and efficiency of the rural electric cooperatives. The rural electric cooperatives are able to bring a vital utility service, very similar to water and wastewater, to rural populations on a low-density basis on an affordable basis.

I am wholeheartedly in favor of section 122 of the proposed Senate bill which would allow existing cooperatives to enter into water and wastewater business.

However, I have one major concern and would like to make some suggestions about that concern. My concern is for those areas of the Nation where for historic or economic reasons there is not a strong REA presence. One of these areas is West Virginia. I would like to see the opportunity for participation in rural water and wastewater cooperatives extended to the residents of these portions of the Nation as well.

I would suggest two possible actions.

First, I would recommend that eligibility for REA lending to support cooperatively owned rural water and wastewater facilities be extended beyond the existing borrowers under the provisions of the 1936 act. I believe this is one of the provisions of the Rural Partnership Act. I would want to see eligibility for REA lending extended to all qualified current and more importantly, potential

rural water and wastewater cooperatives, regardless of their participation under the original provisions of the act.

Second, I want to recommend a program to actively encourage the formation of additional rural water and wastewater cooperatives under the REA umbrella in rural areas not presently served by REA electrical utilities.

In many States with large rural populations and significant rural wastewater needs, a rural electrical cooperative structure just does not exist. I recommend that you consider that in one or more of these States, the funding of a short-term pilot project or demonstration project to involve individuals, small privately owned systems and small communities that wish to be included, into the cooperative system.

This short-term funding could be utilized as seed money to develop the technical and administrative support organization necessary to serve individual cooperatives. This funding could also be used to support a circuit riding outreach effort to provide information and to allow privately owned small systems to join the REA organization. I would anticipate and hope that after several years of funding assistance, that these organizations would become financially self-sufficient.

The primary targets of the outreach program would be the existing, small scale, nonpublic water and wastewater systems, those which serve individual homes in rural areas, residential, and second home developments, mobile home parks and private recreational areas. The common denominator of all these potential cooperatives would be their small size and lack of full-time professional staff.

The services of a central support organization could provide these individual water and wastewater cooperatives with technical and operational assistance, a circuit-riding plant operator. This would be very important for a small community or a small private system that cannot support their own operator. Circuit-riding repair and maintenance crews, centralized purchasing, design, bookkeeping, and billing services, centralized laboratory services and access to lower-cost capital for facility expansion and replacement.

The availability of affordable technical assistance may become particularly important to small water systems and privately owned water systems as they begin to cope with complexities of the analytical, reporting, and treatment provisions of the Safe Drinking Water Act.

Funding under such a pilot program could be considered under section 501(3) of the proposed bill.

Having expressed these concerns and recommended potential solutions, I would also like to suggest a role in this program for the Small Flows Clearinghouse.

As electric utility operations move into the areas of rural water and wastewater treatment, I can envision several additional roles for the Small Flows Clearinghouse. Our experience and know-how is the delivery of low-cost wastewater treatment information and we are very happy to share this information and to pass it on to members of the REA system.

Under the proposed Rural Partnership Act, there are several ways in which we can do this. Section 501(2) states that the Administrator shall "provide technical advice, troubleshooting and guidance concerning the operation of programs or systems receiving assistance under this Act." The Small Flows Clearinghouse could assist the Administrator in providing these services. Support for the Small Flows Clearinghouse to provide this assistance to REA cooperative members could be included under this section of the act.

In addition, the Small Flows Clearinghouse could provide its services to REA cooperative members through a specialized service bureau funded within the National Rural Information Center Clearinghouse, which is also included under title V of the proposed act.

Perhaps you are wondering about my emphasis on funding. I have mentioned funding several times. The Small Flows Clearinghouse—in funding these operations to assist REA members and other units of local government, I should point out that the National Small Flows Clearinghouse is presently in the process of moving toward financial self-sufficiency. Within the next 2 years, at the culmination of the EPA construction grants program, the Clearinghouse will be fiscally on its own.

This transition provides us with unlimited opportunities to participate in all small community environmental and infrastructure programs, both EPA funded and non-EPA funded, including those programs proposed as part of the Rural Partnership Act.

However, this transition will make it necessary for us to seek direct funding support for each service which we provide. I should add that under our present circumstances where we are EPA funded, we can assist other groups other than EPA. When we make this transition from EPA funding to direct funding, it will be necessary to seek the support of those organizations we help, so we continue to help them.

We believe that we have a unique role to play within the Rural Partnership Act and we seek your support for our inclusion within its provisions and hope to be able to play an active role in this program.

I thank you for your time and attention.

[The prepared statement of Mr. Schutz appears at the conclusion of the hearing.]

Mr. STAGGERS. Thank you all. Glenn.

Mr. ENGLISH. Thank you very much. I do not have any questions. Thank you for your testimony, I appreciate it.

Mr. STAGGERS. Frank, obviously I like your ideas. One idea about encouraging co-ops is part of my legislation. I like the pilot program idea. Could you maybe sum that up again about the pilot program?

Mr. SCHUTZ. The pilot program, first of all, is an outreach program to go out and make communities aware that a cooperative structure exists. At the same time to have an organization which these communities could join that would have a direct system director who would provide the technical services, and other outreach people so that this pilot program would be a two-step program. It would have the services which small cooperatives would

require, the technical services, the cooperative buying, access to operations, access to purchasing, and at the same time we would have an active extension or outreach program going out to visit each of these small, what is sometimes referred to as orphan systems, the systems which were left in place by a developer, the systems that are maintained by a homeowner, the system that serves a campground—meet with these people who are only peripherally in the wastewater or water business and really, from my own personal experience, do not want to be in this business if they can help it, and talk to these people and try to bring them into the umbrella of a large cooperative organization.

Mr. STAGGERS. One question I have to ask you, my perception of extension basically is rural development. How much is this going to duplicate efforts from extension and a related question, is there a way in which you can help extension provide some of the services they are already doing?

Ms. TOMPKINS. Well we work very closely with the Small Flows Clearinghouse. In fact, I think we are—hopefully we are going to be successful soon in being able to put together a project where extension is able to do the extension part of what he described in that pilot proposal, where we actually, with funds available to us, take the knowledge that the Small Flows Clearinghouse has about alternative forms of technology that are appropriate for small systems in rural areas, and we actually take that out and work with the mayors of Bramwell and Oceana and assorted other small towns a little south of us and in other areas of the State. So I would hope that you would draft whatever legislation you create in this arena to leave an opening for extension to collaborate in this kind of an effort, because we have been working very closely together.

What the Small Flows Clearinghouse does in terms of accumulation of information about alternative technology is wonderful. What it does in terms of putting that out in terms of a broad-brush to communities and people that are in the wastewater treatment business is great. What it cannot do yet with its present structure, and we cannot do yet with our present resources and structure, is make certain that that technology gets in the hands of a part-time mayor and those kinds of folks in small towns and cities out here in the countryside so that it actually gets implemented in places where it is intended to be implemented. We need to kind of put that piece in that gets the link from the Small Flows Clearinghouse out to the small community.

Mr. ENGLISH. Let me ask one question.

Ms. Tompkins, one thing on the extension service, the extension service in many ways is ideal, given the fact that it is a nationwide system, to assume a responsibility of making certain that rural communities have access to government programs, a very logical step. The difficulty we have—and it sounds like you do not have that much of a problem here in West Virginia, but in many areas of the country, my own State of Oklahoma, the extension service has primarily been used to provide agricultural information. And there is not much in the way of rural development, they are not oriented that way. And that presents some real problems.

An extension agent in a county out here who has primarily seen his role as assisting farmers and providing information to farmers,

may be doing some work with 4-H, then all of a sudden you ask him to become something of a rural development disseminator of information at least, and hopefully provide some support, they do not know it. How do you deal with that?

Ms. TOMPKINS. Well I think there are a couple of ways to deal with it. First of all, one thing most of our extension agents have in those rural areas is an awful lot of credibility. While they may be providing agricultural information to farmers or to farm families or to rural families, they have developed a lot of credibility with those folks. Those farmers and those farm families are also the people who make up the governments in many cases, of these rural communities and rural areas and are very interested in some of the rural development and infrastructure development kinds of issues.

What I think is that we need to build in to the extension system, and it does not take a whole lot of resources to do it—most of it we can do with reallocation—what we need to build in is the capacity—let us just use the infrastructure thing that we were talking about. What we need to build in is the capacity to have someone with technical expertise that is not a university specialist on a campus, but is somebody who is kind of between the county extension agent and the campus-based researcher, who can work with the credibility that that county extension agent has in the local area and can be the broker between the technical resources that are available and that county extension agent that is out there. That is one way to go, does not take a whole lot of additional resources, but you also do not have to turn that county extension agent into something he or she is not. Now that is one part of the answer and that is a short-term kind of answer.

Over the longer term, I believe we have to recruit more people into the county extension service at the local level that have a broader array of skills. We only have a few counties in West Virginia—in Oklahoma this may not be true or Nebraska this may not be true, but we only have a few counties in West Virginia where I believe that the primary expertise of the person there needs to continue to be in agricultural production. We have probably 10 counties in this State where agricultural production is sufficiently important that that ought to be the primary expertise of the person there. I think over time, we have to recruit people into those positions who are attentive to rural development needs and rural needs in agriculture, but broader than just agricultural production—long answer.

Mr. ENGLISH. I think I heard there that you agree with what my concern is that for a lot of those extension agents it is going to be very, very difficult to change that mindset if they in fact see their role as the traditional role and this is the way it has always been done—it is going to be tough getting over that hump with that guy.

Ms. TOMPKINS. Some do change though, and one of the reasons they change is that the people who live in their county start needing different things.

Mr. ENGLISH. The difficulty at least—and as I said, I understand you have a different situation here in West Virginia—the difficulty we have in our part of the country is that we are still dealing to a great extent with a lot of people in rural development—they let the

price of wheat control, if the price goes up a nickel, you know things are better in town. If it goes down, things are tough. I understand that part of that is the change that has to come around for those communities if they are going to survive or they are not going to survive, most of them, given the trend that we are on now.

But the real question we come down to is that the system—the person who has contact in that community is the one who is going to be providing the support, the encouragement, the information, with regard to what is going on. That is going to be a critical point.

Ms. TOMPKINS. Absolutely.

Mr. ENGLISH. And that is what worries me. The natural is to go with the extension service, but in all candor I have to say that probably the majority of the counties in this country are more like mine as opposed to the situation we have here, the more agriculturally oriented type extension work, as far as rural counties are concerned.

Ms. TOMPKINS. Well I do not know, I think it is always—I think it is a genuine problem you raise, one that we struggle with in extension, and you are right to raise it. I think it has always been true that the person out in the county as the county extension agent has never known everything that there was to know about whatever topic it was they were working on. It has always been a system that depended upon some kind of backup support, tapping into resources from the university or other kinds of resources to bring in and provide that support. I mean he might have been the greatest expert in the world on wheat rust and not known a thing about something else. So it has always been a system that has been built on bringing in resources.

So I think it is wrong to expect the person that is totally on the ground in the county to know everything there is to know about everything, even if it was just narrowly agricultural. What we have to do is build a broader sense of what it is that one needs to get expertise on to work in that kind of—and I guess I have to say that, I have not spent my entire career in extension. I spent a few years in it and I spent a whole lot of time out and I came back only recently in the last 5 years in extension. I have seen a tremendous amount of change in the last 5 years, more than I would have ever believed possible. I mean I have been extraordinarily skeptical about the ability to move and change. And I have been rather amazed, to tell you the truth, at our ability to make adjustments that still remain true to our heritage of extending knowledge to rural people, but do it on a broader array of topics than just agricultural production.

[EDITOR'S NOTE.—Ms. Tompkins' letter of October 10, 1989, follows:]

Extension Service

October 10, 1989

The Honorable Glenn English, Chair
Subcommittee on Conservation, Credit
and Rural Development
2206 Rayburn Building
Washington, DC 20515

Dear Chairman English:

I enjoyed the opportunity to testify before your subcommittee in West Virginia, and particularly the chance to join in a dialogue on the adaptability of extension agents for rural development. While I emphasized the point that extension faculty in counties are brokers of knowledge from many sources, I probably did not emphasize enough the fact that a majority of county extension agents are not primarily concerned with agriculture. The fact is that many of our agents with training in home economics or youth development are conducting excellent community-rural development programs.

The Cooperative Extension System has adapted over the years as the rural economy has changed. I think that will continue.

I include my written comments for the record of the subcommittee.

Sincerely,

Rachel B. Tompkins
Associate Provost & Director

enc.
c: Chester Black
Neil Bucklew
Robert Crom
Frank Franz
Myron Johnsrud
Harley Staggers

Mr. ENGLISH. Thank you. I appreciate it.

Mr. SCHUTZ. May I just add one more comment? Because we are National Small Flows, we do talk to all 50 States and I just want to mention there are several States in addition to West Virginia—I think we have a very active water and wastewater program in extension. I would add the State of Ohio where Karen Maxwell, who is with Ohio State Extension, is doing excellent work with small communities on wastewater and as a former North Carolinian, I have to mention my friend Bob Reuben who is riding out from Raleigh, North Carolina as a member of the extension and working with communities all over that State in water and wastewater. So it depends on the States, but I do just want to make the point in addition to what we are doing here in West Virginia, there are several States now where extension is very, very active in water and wastewater. I believe this should be encouraged and knowing a little of the structure of extension, I know it is highly individualized State-by-State, but there are States—there is us and there are other States where this is happening.

Thank you.

Mr. STAGGERS. Thank you all.

The next panel is another beautiful panel that should be very interesting. Jeff Yokum, Richard Tennant, and Pam White are all young people. Jeff is with 4-H, Richard is with FFA, and Pam is with Future Homemakers of America.

STATEMENT OF JEFFREY G. YOKUM, STUDENT, 4-H CLUB MEMBER

Mr. YOKUM. I would like to thank you for allowing me to represent 4-H, division of extension today and I would like to start with head, heart, hands, and health.

Each of these represent the epitome of the 4-H fourfold development program. 4-H has built a vast array of project booklets for its members to complete, to aid in the fourfold development within their own lives.

This has been made possible through professionals that have had a wide variety of education and experiences.

However, the extension service over the past few years has experienced major cutbacks in funding from all levels of government, thereby causing extension positions to be filled with agents trained in minute areas instead of all-over training that 4-H extension service requires.

With the help of Federal funding and other funding, 4-H extension will be able to continue its valuable teaching of leadership abilities as well as agricultural training.

According to Isserman, economic development in West Virginia is a matter of focusing on State self-improvement, including improving infrastructure, education, and human resources, promotion of new industries, venture capital and finance, research and technology, amenities, recreation, and other elements that improve the competitiveness of the State's people and businesses, and enhance the quality of life and environment. While crafting policies that help improve West Virginia's resource-based industries of mining, forestry, and agriculture is important to the economy of the State,

it is essential to look beyond those traditional industries. To accomplish this, it will be necessary also to look beyond the traditional policy channels, such as the farm bill, for effective rural development assistance.

With the assistance of the Cooperative Extension Service, volunteer leaders, and through monetary support, 4-H will be able to continue programs to enhance the learning experiences of our youth, teaching us to reach for our highest goals.

T.P. Kendrick stated it best when he said:

> Bite off more than you can chew—then chew it.
> Tackle more than you can do—then do it.
> Hitch your wagon to a star, keep your seat and there you are.

Thank you.

Mr. STAGGERS. Pam, you are next.

STATEMENT OF PAMELA K. WHITE, PRESIDENT, WEST VIRGINIA ASSOCIATION, FUTURE HOMEMAKERS OF AMERICA

Ms. WHITE. I am representing the West Virginia Association, Future Homemakers of America and the over 24,000 students enrolled in vocational home economics programs in West Virginia. Future Homemakers of America is a national student organization that has its main focus on the well-being of families and individuals.

I am a senior at Union High School in Monroe County, what can easily be called a rural area. Growing up in a rural area has had its strong advantages and disadvantages. Rural students, because they are not redundant, are more engaged in the learning process, in both curricular and extracurricular activities. These students develop these qualities:

One, strong positive leadership;

Two, high expectations of student and teacher achievement;

Three, parental and community involvement and support; and

Four, a friendly but business-like classroom and school climate.

Yet the disadvantage for rural education is that it is not funded as much as urban schools. Students, after completing their education, seem to move to other areas which offer more employment and opportunities.

What can be done to lessen the outflow of human resources from rural areas? I believe that in order to build a renewable rural community resource base that we must promise rural youth leadership by hands-on community planning, thus developing a rural community's two most valuable assets, young leaders and their problem-solving ability.

The concept of community has many different dimensions and different meanings. It is the place where we live, and it is a group of people who hold to similar values. Community is where we work and where we play, where we educate our children, where we go to the doctor, and where we attend church. It is where we produce and purchase goods and services.

We can no longer afford the luxury of thinking of ourselves simply as rural or urban. We now live in a time of rapid technological and informational change that brings us face to face with a global society.

As future citizens, all students will need to function in such roles as consumers, family members, parents, and employees or employers.

In today's complex world, one of our basic institutions, the family, is faced with monumental problems which puts our Nation at risk.

Families are failing to live in harmony, productivity is low, pride in work is lacking and lifestyles such as indulging and smoking and drinking and overeating and failing to exercise are creating health problems.

The problems that individuals and families face can be lessened. Consumer and homemaking education is the unique component of education which strengthens and improves the quality of life for individuals and families. This is achieved by helping youth and adults gain a better understanding of self and others, especially for a sense of personal worth so that the individual may develop realistic goals and make responsible decisions.

Vocational student organizations enhance motivation, leadership skills and the total development of the student in a unique setting involving both cooperative and competitive activities.

As we move rapidly toward the 21st century, rural residents will have to make major efforts to affect their own destinies. Education can and must play a major part in the success of these strategies. The overriding importance of the people, the one resource that rural communities can least afford to lose, must receive major consideration in any program to promote rural development. Today I have addressed some major considerations to enhance youth leadership. I have endeavored to maintain a positive attitude and to share positive examples, however, I must also mention that we cannot afford to neglect the tremendous resource drain that teenage pregnancy, dropouts, and illiteracy, inadequate health and social programs and poverty and an ever-changing family structure are on rural communities.

I believe that youth are proving themselves capable of contributing to their communities and must also be looked to in helping solve the problems. As a member of the West Virginia Association Future Homemakers of America, we are committed to doing our share.

Thank you.

[The prepared statement of Ms. White appears at the conclusion of the hearing.]

Mr. STAGGERS. Richard.

STATEMENT OF RICHARD D. TENNANT, VICE PRESIDENT, WEST VIRGINIA ASSOCIATION, FUTURE FARMERS OF AMERICA

Mr. TENNANT. It is truly an honor for me to represent my fellow FFA officers and the other 5,200 West Virginia FFA members, on this day. I am honored to have this opportunity. We thank Congressman Staggers for his invitation.

In rural communities, local issues are getting much attention. Issues such as energy, recreation, jobs, water supply, pollution, and congestion are of major concern. As needs become more critical, individuals and groups must learn more about their local communi-

ties and be prepared to take a leadership role in making a lasting contribution in community development.

The FFA has taken that role. Our organization strives to help communities all across the Nation to develop their rural environment, but what steps can be initiated by the FFA in agricultural education? How does the classroom and laboratory train young members to get involved in community development? I wish to submit three main points to further explain the role that the FFA and youth plays in rural community development.

Instruction in the agricultural education classroom and laboratory supports community development by teaching high school students how to improve their communities and use community improvement activities to develop personal skills. Each of the instructional areas has important applications toward community development.

Students enrolled in agricultural mechanics or machinery service may develop skills in special areas of mechanics by assisting with community improvement projects. Such activities give meaning to instruction and help students apply what they have learned.

Horticulture has many opportunities for initially involving students in community improvement projects. These activities can be used to get students started in community development and help them learn how to participate more effectively as adults.

Instruction in forestry and renewable natural resources can involve students in a variety of community improvement activities. Forestry may include converting unattractive land into productive forest areas, carrying out fire prevention programs, and assisting with timber stand improvement practices.

The area of renewable natural resources offer opportunities similar to those in forestry. Education on natural resources includes the responsible use of those resources.

Students in production agriculture get involved in many different community improvement activities. Examples include energy conservation projects, activities to promote the responsible use of soil and water resources and protection of the environment through the proper use of pesticides, fertilizers, and other agricultural chemicals.

The area of agribusiness supplies and service affords the opportunity for students to promote the scope of today's agricultural industry.

The second point I wish to emphasize is the role that the national FFA organization plays in community development. Activities through the FFA have been the primary means of encouraging participation in community improvement by many students. The FFA has achieved high visibility in some communities because of its involvement.

Further, awards provided by the "Building our American Communities," BOAC, program reinforces the work of many FFA chapters.

The FFA has a number of individual achievement award programs and activities to further encourage community development. Through these, the member is recognized for his or her work in community improvement activities. These community activities include the West Virginia State ag-ed judging contest, soil judging

contests, and proficiency award programs. Other programs, such as the national chapter awards program, recognize outstanding chapters for their work in making our communities safer places in which to live and work.

My final point I wish to emphasize is how agricultural education students supervised experience programs help the students to get involved in community development. Students need to realize that career responsibilities include community participation. The careers of individuals do not grow independently of the community. Supervised experience can be used to develop this awareness and afford the opportunity for high school students to get involved. Students who have ownership programs realize that every entrepreneur has a responsibility to the community. Production agricultural programs result in a minimum of damage to the environment. Students who have placement programs can participate with their employer and fellow employees in community development activities. Students who have supervised experience programs at school may be directly involved in community improvement activities.

Our agricultural education FFA programs in West Virginia have developed a national reputation of being leaders and innovators. West Virginia was a leader in the integration and use of computers in the agricultural classroom. The St. Mary's hydroponic greenhouses are the first of their kind in the Nation. Harrison County's Lincoln High School's work with Shitake mushrooms created national interest. The meat processing program at Shady Spring High School in Raleigh County is recognized as one of the best meat processing programs east of the Mississippi. Fayette County's FFA chapter's work with the National Park and the local community earned it the "National Take Pride in America" award. The tourism project conducted by the Marion County FFA chapter earned it a "National Building our American Communities" award for its projected economic impact. Agricultural education students have benefited West Virginia's economy significantly, on the average earning $3 to $5 million per year through the supervised experience program. As you can see, we FFA members have taken a major step in improving communities' development.

In summary, the need for rural development is felt by all of us. The national FFA organization and agricultural education programs throughout the United States have made great strides toward resolving this problem. Through continued public support, infrastructural renovations and most importantly, prolonged community participation, our dream of rural development will become a reality. Let us bring it home to West Virginia.

Thank you.

Mr. ENGLISH. Thank you very much, all three of you for your very fine statements, I appreciate it.

Let me ask each of you, all three of you are from rural schools, is that right?

Mr. YOKUM. Yes.

Ms. WHITE. Yes.

Mr. TENNANT. Yes.

Mr. ENGLISH. What percentage of your classmates do you think want to remain living in a rural community, whenever they settle

down, they will come back to rural communities—what percentage? Richard, why do you not start and we will go in reverse order.

Mr. TENNANT. I would say probably 50 percent of my class when I graduated from high school in 1989 said that they wanted to stay in a rural community because they like the security of the community. They like the fact that where we live, we can leave our doors open at night and not worry about somebody walking in and taking things. But I think that the other 50 percent of the people feel that there is not much left for them in West Virginia and feel that if they go out of State, then they may be better suited to raising their children in a better environment. So it would be 50 percent, I think.

Mr. ENGLISH. Pam.

Ms. WHITE. Well, I think it is higher in my school, it would be about 65 percent would want to stay around West Virginia. Well like he mentioned, they like the thought of leaving their doors open at night, they do not like the thought of any crime around the area. But then again, the other percentage, they are in search for jobs, more opportunities and they complain that they cannot seem to find it here. What they realize is that most of them are the ones that could bring about these opportunities, and they should realize that, that if they stay around West Virginia will be filled with more opportunities for them and for their children too.

Mr. ENGLISH. Jeff.

Mr. YOKUM. There are probably about 35 percent of my graduating class that would stay in a rural community for the simple reason that there are very few jobs available, and also when they raise their families they want their children to have summer jobs to help support the family and in a rural community there are very few opportunities. So we have a very low amount of people staying in our rural community.

Mr. ENGLISH. If they had jobs available and if they had quality education, how many of them would stay?

Mr. YOKUM. I think if they had those opportunities, most of the people, probably around 75 to 80 percent would stay.

Mr. ENGLISH. Pam.

Ms. WHITE. Yes, I think they would definitely stay if there was something to do, especially like where we live, all we have is a gas station and if there was a place where they could get more jobs, better health care and more education for their children, I know they would stay, because they love the place, they hate to leave but they have to sometimes because they cannot find any employment.

Mr. ENGLISH. Richard.

Mr. TENNANT. I agree with Pam, it is about the same way where I live too. We do not have many opportunities toward job placement where I live. Most people where I live, live there for the sole reason that it is a nice rural community and they go outside of the community to work. So if we had more opportunities to have more education, better health benefits and such, then we would have a high percentage of people staying.

Mr. ENGLISH. So they are not leaving so much by choice, it is more from the standpoint that they are forced to leave because there is no way they can make a living, they have to go someplace else to make a living.

Mr. TENNANT. Yes.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

Mr. STAGGERS. Let us do a little follow-up on that. I know each one of your communities, would you all agree that if we just let things slide and keep the status quo, there is not much likelihood that those communities are going to change—would you agree with that?

Mr. TENNANT. I would agree.

Ms. WHITE. I would too.

Mr. STAGGERS. If we could do one thing in your community, if we had to choose—and that is our job, making choices—if we could do one thing—I know education is important, but from an agricultural standpoint, I have heard that West Virginia's vo-tech schools and ag schools do a tremendous job. In fact, you two are in college, right?

Ms. WHITE. Yes, sir.

Mr. STAGGERS. You are aware that you are probably farther ahead than anybody on the east coast. In fact, nationally I think that is probably true too.

But in your communities if we could do one thing on the Federal level, what would you see as the one thing we should concentrate on?

Mr. TENNANT. Well I think in my community a lot of people would like to be able to take on entrepreneurships and have their own businesses because there is a lot of marketing ideas in my community that they would like to put to use. And if we could, be able to work with the banking system in a better way to get them to feel secure in loaning or guaranteeing some money to these people, then they could set up their businesses in our community and it would greatly benefit the community.

Mr. STAGGERS. They need to talk to Mr. Reese, as long as he is here.

Pam.

Ms. WHITE. In my community, I think tourism would be a really big thing. We have a public hunting and fishing area where I worked this past summer, Moncove Lake and they are hoping to get it passed as a State park, and if they did, that would create so many more jobs because Moncove Lake could get more money, and then that way there could be a restaurant for people staying at Moncove Lake to go to. There is not even a restaurant around the place now, and it would just create more jobs. And then we could have a gift shop and that would be another job, it just builds on and on, if that would become a State park. That would really help the community a lot.

Mr. STAGGERS. Sometimes, Glenn, I am going to have to take you to Monroe County. It is the most wonderful, beautiful county in the whole State of West Virginia, but there are no restaurants, there are no hotels, not much there, but it is beautiful country and good people.

Jeff.

Mr. YOKUM. First of all, in our community one thing that we help would be new industries coming into our area and also the fact that we would have a place for people to buy things in our community, to spend money in our community instead of going to

Maryland or Virginia to shop. So that is what we would need in our area.

Mr. STAGGERS. Come to Winchester.

Mr. YOKUM. Yes.

Mr. STAGGERS. I thank you all. Do you have any more questions?

Mr. ENGLISH. No.

Mr. STAGGERS. Thank you all.

Mr. ENGLISH. Very fine testimony, thank you very much.

Mr. STAGGERS. Next we will have George Yost from Monongahela Power. If you want, you can bring up Mr. Staggers. I was told the other day, you can always tell a Staggers, you just cannot tell them much. [Laughter.]

Mr. YOST. That is not true, he does listen.

STATEMENT OF GEORGE W. YOST, MANAGER, MARKET RESEARCH AND ECONOMIC DEVELOPMENT, MONONGAHELA POWER CO., AND ON BEHALF OF POTOMAC EDISON CO., ACCOMPANIED BY ALAN STAGGERS

Mr. YOST. Mr. Chairman, Congressman Staggers, I am George Yost, manager of market research and economic development for Monongahela Power Co. located in Fairmont. I speak on behalf of Monongahela Power Co. and the Potomac Edison Co., two companies that are part of the Allegheny power system located in northern West Virginia, the eastern Panhandle of West Virginia, also parts of Virginia, Maryland, and southeastern Ohio.

I appreciate this opportunity to come before you today to discuss rural economic development.

In order to honor your request to keep within 5 minutes, I intend to summarize the first part of my presentation and then I would like to read the last part. I do have written comments I will provide for the record.

We comment the subcommittee's effort in wanting to appropriate additional funds for improving rural America. The need is clear. Many rural areas and communities lack adequate public water and sewer systems, or have none at all. Some also lack good housing needed to ensure a stable population base. They lack transportation and communication infrastructure to ensure linkage of rural communities to the global economy. Rural areas often suffer from a lack of capital needed to locate new industries. In short, rural areas are at a distinct disadvantage when it comes to economic development.

In order to help you understand my recommendations, I would like to tell you a little bit about Monongahela Power Co. As you know, we are a rural utility located in northern West Virginia. We provide service to a population of over 700,000 people in northern West Virginia and southeastern Ohio. Eighty-two percent—that is 82 percent—of people within our service area reside in areas of population than 20,000, so we are rural. The backbone of our region's economy lies in rural areas and Monongahela's future is clearly tied to that.

We began our economic development effort in the early 1930's in response to the Great Depression. Our first programs were primari-

ly farm income producing projects. The projects were successful and today our economic development is a result of that effort.

Our efforts in economic development are wide-ranging and varied and illustrate our commitment to economic development. Our staff has done many things, we began just recently conducting a series of seminars for community leaders, realizing that this is the area we should be working in. Approximately 400 community leaders have attended seminars on community preparation, community marketing and economic development financing. We have done many other things. With professional developers in only 10 of the 38 counties we serve, Monongahela's staff is often the principal provider of economic development assistance to many rural communities.

Our staff interacts with many groups involved in economic development, such as the Governor's office of community and industrial development, the Ohio Department of Development, regional planning and development councils, development authorities, chambers of commerce, county commissions, cities, and towns.

Naturally our efforts are directed toward the attraction of new industries, the expansion of existing industries, community development, travel, tourism development, and development of sites and buildings.

One of our most important goals is retention of existing industries. One of the golden rules of economic development states that "Industry goes where it is welcome and stays and expands where it is well treated." Statistics show that of new jobs created, 80 percent come from existing firms. Our staff regularly visits businesses in our service area to identify and seek help to resolve problems regarding their businesses.

One of our main strategies has been the attraction of new industry. I believe it is fair to say that to some degree we have worked or have assisted in some way in locating most of the major industries in our service territory.

Yet there is much work to be done. Rural areas are diverse and any program to aid economic development must equally be diverse. New programs should be inclusive and encourage cooperation among Federal, State, and local entities. Monongahela believes, however, that funds for economic development should be available to all rural communities and business entities, unrestricted by the historic borrower preference provisions of the Rural Electrification Act.

Accordingly we believe legislation such as the Rural Partnership Act, Senate bill 1036, which provides economic development funds only to Rural Electrification Administration borrowers is not in the best public interest. In West Virginia, we have only one rural electric cooperative. This cooperative serves approximately 5,000 customers or one-half of 1 percent of the State population. Therefore, 99.5 percent of the State's population would be exempt from taking advantage of these rural economic development funds.

We encourage your committee to develop a modern rural economic development policy that is unrelated to the provider of electricity. Such a policy should provide fair and equitable benefits to all taxpayers in rural West Virginia and America. The challenges facing rural development are too pervasive to narrowly focus the

solution on only 40 percent of rural America and only five-tenths of 1 percent of West Virginia.

Rural development requires a partnership of effort. When establishing a rural economic development program, we believe it is prudent to utilize existing public programs and agencies that have expertise in all aspects of economic and community development. We hope you will include private sector participation in your program.

A sound grassroots economic development program should include the expansion of education and technical assistance. The Software Valley Initiative, for example, here in West Virginia has successfully enhanced high-tech development and heightened awareness of computer applications in our State. Business incubators are a new exciting tool in economic development and their location in rural areas would be a tremendous boost to the development of new companies. We have an entrepreneurial potential here in West Virginia, but we need an environment in which to develop it. Incubators can provide that environment. We are fortunate also in West Virginia to have a state-of-the-art telecommunications system—an electronic highway that can break down the physical barriers which have historically limited development in our State. We think this would add to the development of an incubator system.

In conclusion, Monongahela Power is proud of its economic development history and its growing partnership in rural West Virginia. We welcome and support creative flexible strategies to develop rural America. We sincerely request that any legislation promulgated includes and considers all of West Virginia.

Mr. Chairman, we appreciate the opportunity to speak before you today and submit this testimony. We applaud your efforts—or the efforts of the subcommittee and look forward to working together with you for the development of rural West Virginia.

Thank you very much.

[The prepared statement of Mr. Yost appears at the conclusion of the hearing.]

Mr. STAGGERS. Glenn.

Mr. ENGLISH. Mr. Yost, one of the things I want to say is I want to commend you for your political sensitivity with regard to avoiding hostile questions from the congressional committee. Bringing the chairman's cousin along is sure to avoid that. [Laughter.]

Mr. YOST. He is going to answer all the heavy questions.

Mr. ENGLISH. Fine.

Let me ask you, with regard to the rural development bill and given your company—looking at the Senate bill it does rely heavily on the REA and of course such a small percentage of West Virginia being served by them, how would you redraft that legislation so that West Virginia could fully utilize that?

Mr. YOST. Well, we think you should include several institutions. We have institutions in place right now I think that can do the job. As I said, it is going to take more than one entity. It is difficult for the Government and the State to do it. We would suggest you look at something like the Governor's office of community development as far as funds go. We have testified that the cooperative extension service provides expertise. We think that type of a partnership

would work, as well as bringing people in from private industry, like ourselves.

Mr. ENGLISH. One of the problems of course that we have is that we do not have any money.

Mr. YOST. That is right.

Mr. ENGLISH. Or new money. The only thing we have to work with are existing funds. There are $300 million in the budget, the Senate is utilizing that in programs. It is going to be kind of hard to take that money and redirect it into new programs, there is just not enough quite frankly to put together a new program nationwide. And that is going to be part of the struggle.

I agree with what you are saying, I think that certainly we do not want to leave a State like West Virginia out, we want West Virginia to be able to access any type of programs that we might have available and that is going to be a difficult thing. So I would appreciate it if you all would give that some thought and if you could maybe work with Harley and come up with some ideas as to how we can better utilize this thing to make sure that we do not create any gaps. We do not want to do that, certainly not in the whole State—we do not want to do it as far as parts of States. So we would appreciate any help you can give us there, and I appreciate your testimony.

Mr. YOST. Thank you.

Mr. STAGGERS. Let me ask you, from a co-op standpoint, I am aware of the West Virginia problem, but nationwide, do you have a feel?

Mr. YOST. The cooperatives represent 40 percent of the electric users in the United States, 60 percent are represented by the investor-owned utilities.

Mr. STAGGERS. Is that mostly the urban areas? From a rural standpoint it has to be more than 40 percent.

Mr. YOST. I do not know. I just know that if you take the country as a whole, it is 40 percent. As far as rural areas, 82 percent of our area is rural of course, I do not know what it is in the United States.

Mr. ENGLISH. If I could, I think you get into municipal-owned utilities, investor-owned utilities——

Mr. YOST. Right.

Mr. ENGLISH. I think that you get quite a mix around the country. Even in my State of Oklahoma, we have a lot of communities maybe surrounding, being served by an REC that may be a community-owned utility. Again we get into this question of—and I think it is one that certainly you all recognize a good deal more in West Virginia perhaps than we do in some rural areas like the State of Oklahoma, and that is that, most folks that live in rural areas live in small towns, they do not live on farms, they live in rural communities.

Mr. YOST. That is right.

Mr. ENGLISH. So populationwise, that is what you really get at, and that is where it makes—geographically I imagine, the REC's probably cover most—a pretty good chunk of that, probably well over 50 percent, geographically, but when you start taking in the population, it is a different entity and of course that is what we are looking at here, these rural communities.

We appreciate it.

Mr. STAGGERS. I asked Mr. Hurd with the chamber, and I will ask you the same question, if we have this cooperation between the State and Federal and having somebody from USDA try to coordinate setting up networks, and you have heard from some of the other testimony about the capitalization and whatever, how much would existing private industry participate in that type of program do you think?

Mr. YOST. We would welcome something like that, we would look forward to working with you. We have a staff of five people working in economic development. Right away we would put them working in any initiative you could develop. We think it is to our benefit as well as the State to work together. I do not think one entity can do it.

I am having a hard time talking, I am sorry. But I think that is the way we should be going, I think your initiative is correct, I think it should be a partnership of you with the State, with private industry, and we will definitely provide in-kind services for anything you try to do. We would want to be right there working hand-in-hand with you.

Mr. ENGLISH. Excuse me, could I try an idea out on you just to see how it strikes you?

Basically, as I keep pointing out, we have about $6 billion to work with and we have a lot of different types of programs. Some programs are attractive to some parts of the country, other programs are attractive to other parts and basically it comes down to needs. The thing I kind of wonder about in working this around through the various States is if the State itself should not put together a group maybe with the REC's, investor-owned utilities, representatives of university extension services, Farmers Home Administration—but various people who have a stake—banking, industry—who have a stake, perhaps put together a State committee of that sort to go through the various plans, programs that communities want to put forth, and give that State some flexibility as far as trying to prioritize those efforts. Maybe you can give them some authority that when you run low over here in one pot of money, maybe over here in the other that you have not utilized, give you a little ability to transfer it back and forth, a little bit of flexibility, and maybe even work this thing out where various agencies can divide it up, find some way of dividing up, allocating out funds to various agencies. Give them some flexibility to move back and forth to those projects that they think would be most beneficial to the State, most needed by the State as opposed to forcing States to—well we have this program over here so when you go out and utilize it, it may not be your top priority, maybe that is not what you need, you may need something else, you may need water. Maybe you would rather take some housing money and use it for water, different things.

Mr. YOST. I do not think I need to provide much more testimony to you, I think you understand the problems. There is not enough money to do everything that needs to be done. Some areas still need water. We have made in-roads into water and sewer projects but there is still more work to be done in that area. Yet you need to look forward, you cannot keep looking back or you cannot keep

plowing the same ground again. That is why I suggested the incubator program, that might be something—I know I have read that you have considered an incubator program, where you establish a shell building with the expertise to help industry. A lot of industries fail within the first 3 years, they have a good cash-flow in the very beginning, they are making money, but at the end of a couple of years, the run out of money and they go out of business. Well, you could use different groups to nourish this type of a concept, but I really feel from your question you understand exactly where we should be going. It is going to take a lot of people.

You may or may not be aware of the Governor's partnership in progress program. I feel that Mr. Christie should speak for that, but it would appear he is doing the thing that you suggest right now.

Mr. ENGLISH. Well I am just trying to figure out the one thing—if we cannot come up with a lot more money, then obviously we have to do a lot better with what money we have available to us.

Mr. YOST. I agree.

Mr. ENGLISH. And we have such a wide range of different needs in different parts of the country, and it just seems to me that perhaps flexibility may be the one way that we can vastly improve these programs that are in existence. That does not mean you will not still have to meet the requirements of the program, but it does allow us to prioritize, allow the State to prioritize, and then we can offer that kind of flexibility so they can utilize it as they see fit.

Thank you, Mr. Chairman.

Mr. STAGGERS. In 30 seconds—because we are running out of time—in 30 seconds—I cannot miss this opportunity—could you tell Mr. English the effect that acid rain legislation may have on rural development?

Mr. YOST. I wish you had not asked that question. We were doing pretty well until we got to that one. [Laughter.]

I really do not think I could answer that. I have not followed the acid rain legislation that closely but I can tell you that it is going to require quite an investment from our company to meet the legislation as proposed, and we are talking about—really the data I have seen would indicate that it is going to affect our electric rates in West Virginia. In our company particularly, we are talking about a 20- to 30-percent increase. But specifically I cannot tell you.

Mr. STAGGERS. Is that part retrievable?

Mr. YOST. I think all the companies—see, the legislation primarily impacts utilities here in the East that burn high sulfur coal, who would have to use some method to alleviate the problem. So if they go to scrubbers or other methods, the price would depend on what they do—the legislation or the information I have indicates that that is a very complex subject and you can do it several different ways, but the early estimates I have heard is that it would increase electric rates approximately 20 to 30 percent here in the East and I am talking about Ohio, West Virginia, Pennsylvania.

Mr. STAGGERS. Thanks.

Mr. YOST. Thank you for that question.

Mr. STAGGERS. The next person we have is Mike Cross who is the the only rural electric co-op that we do have.

STATEMENT OF MICHAEL L. CROSS, GENERAL MANAGER, HARRISON RURAL ELECTRIC COOPERATIVE

Mr. CROSS. Good afternoon, Mr. Chairman and Congressman Staggers. I am pleased to be here to testify on behalf of Harrison Rural Electric.

I am the general manager of Harrison Rural Electric, we are located in Clarksburg, West Virginia. We provide electric service to about 5,000 members in seven counties in West Virginia. Across the country, rural electric co-ops serve more than 25 million consumers in 46 States. Rural electric lines traverse more than 70 percent of the United States.

Mr. Chairman, rural economic development is crucial to the future of rural America and in particular, West Virginia. Our co-op provides electric service to only rural areas and in fact we only have about 300 very small commercial accounts, the largest of which is a high school. So we are providing service to only rural West Virginia. Without rural economic development, our businesses and young folks will continue to leave rural areas and West Virginia for urban areas.

Mr. Chairman, water and wastewater treatment are just two of the critical components necessary to support rural economic development. I am delighted that you are considering legislation that would enable the formation of State cooperatives or associations that would provide the support for small, locally administered water and wastewater treatment associations. The kind of administrative support you are seeking in your proposed legislation is absolutely necessary to help those local systems, whether they are administered independently or by an entity like a rural electric cooperative.

Just to know what the Government regulations and standards to comply with is a challenge for small communities. I speak from about 12 years experience as the vice president of a local water association and, at a co-op I worked at before I came to West Virginia, I was in charge of the co-op owned water system, so I know a lot about the problems that they face. In some areas, the water systems do not know the rules and in fact, do not even treat their water. They have no idea of the quality of water they are providing.

Water is a key component of the infrastructure building that we need in rural areas, and I would encourage you to explore the prospects of encouraging rural electric systems to build and operate these water and wastewater systems. Legislation recently passed in the Senate, S. 1036, the Rural Partnership Act, includes provisions for these activities.

This legislation, and other legislation passed in 1987, gives rural electric systems several tools to participate in rural economic development. These programs are relatively inexpensive, and their intent is to leverage Federal and local resources in local business development. It helps establish the development of business incubators and revolving loan funds for new or expanding local businesses, housing, and other development.

Rural electric systems have traditionally assumed the role of a catalyst in economic development and have helped create more

than 1 million new jobs since 1960. Rural economic development is a top priority of rural electric systems throughout the Nation. Given the tools for our systems to carry out rural economic aids, cooperatives will rise once again to the occasion.

Mr. Chairman, as you are aware, West Virginia faces several economic problems, especially in our rural areas. We have substantial amounts of substandard housing, high unemployment, and in some areas, entrenched poverty. Unless we begin to confront these problems, the situation will only get worse. We need action by Congress that will produce results. We need to build on those problems and institutions that can achieve the objectives of job creation, development of decent, affordable housing and transportation systems, the much-needed improvements in rural health care and rural education. We cannot begin to achieve these objectives without a sound rural infrastructure.

I am sure you are aware, Mr. Chairman, that there are places in our beautiful State where our people can expect to wait up to half a day, or a very long time, just to fill a bucket of water from their rural water systems, and even then, they have no assurance that the water is clean or free of pollutants. If your efforts in rural economic development were to achieve nothing more than to establish the development of programs to address this very critical need, it would be legislation well worth its weight in gold.

Harrison Rural Electric Cooperative is a small fish in a very big pond, and by ourselves we cannot accomplish much in terms of economic development. However, with some help from the Federal and State and local governments, and with the dedication of our rural people, we can begin to make genuine progress in overcoming obstacles to improve quality of life in the rural areas.

Harrison Rural Electric is dedicated to the service of rural America and we would welcome the opportunity to provide any of these programs that come from the Federal Government, not only in our own service area, but in West Virginia in general. We would be happy to work on any of the programs, any of the committees or anything for rural development in West Virginia. I am sure I speak for the rural electric systems across the country when we pledge our utmost cooperation and support in your legislative endeavor.

I appreciate very much the opportunity to appear before you today and will be happy to answer any of your questions.

[The prepared statement of Mr. Cross appears at the conclusion of the hearing.]

Mr. STAGGERS. Glenn.

Mr. ENGLISH. Thank you very much, Mr. Cross, for that very fine statement. You heard what I mentioned earlier with regard to providing some flexibility. Would that idea appeal to you, would that be helpful, would you want to take the REA funds and say allocate them out to the various States, depending on the population or something, some system like that and then allow within that system, say you all in the area you serve, be able to make the determination to use that money for other purposes?

Mr. CROSS. I think if we had the system set up in West Virginia like maybe as we heard earlier mentioned, a small cooperative that could be set up just to administer these funds and have different

people from across the State, I think that would be a good idea to have formed such an organization and have that organization make the recommendations and take the applications and do the processing and do the work necessary to channel the funds into the State.

Mr. ENGLISH. But you like the flexibility to be able to use the money for different things?

Mr. CROSS. Yes, that way you can—some areas need water, some areas need sewer, you do not need to put it all into the same place, if they do not need it.

Mr. ENGLISH. Thank you, Mr. Cross, I appreciate it.

Mr. STAGGERS. Thank you, Mike.

The next two people can come up together, Dr. Christine Barry and Dr. Bowie Kahle. They are from Marshall University. There are two universities in West Virginia, one is where I represent, which is Marshall University.

We will start with Christine.

STATEMENT OF CHRISTINE L. BARRY, DIRECTOR, INSTITUTE FOR INTERNATIONAL TRADE DEVELOPMENT, MARSHALL UNIVERSITY

Ms. BARRY. My name is Christine Barry, I am director of the Institute for International Trade Development, it is a statutory entity located at Marshall University, created by the West Virginia Legislature.

Chairman English and Congressman Staggers, I would like to thank you for the opportunity to share a few thoughts with you on the issue of transportation and rural development. Considering that West Virginia is entirely a rural State, all economic development here is rural development.

The foundation of rural America consists of 37,000 cities and communities of less than 10,000 in population. Twenty-one of the 435 congressional districts in the House of Representatives qualify as rural. For generations, rural America was characterized as a homogeneous area of open country dotted with small towns and economically dependent on farming, forestry, mining, and related industries. Even though there are differences in topography, ethnicity, and distances, there is fundamentally very little difference in political, sociological, and economic structure. It is a land that embodies conservative politics, close family ties, and old fashioned hard work.

During the eighties, an economic crisis struck with a force in rural America and it necessitated a review of its economic dependence. The impact of the crisis was not uniform in nature, with personal income in some areas remaining stable and in others declining quickly. It became clear that rural America was no longer the homogeneous society of the past. Furthermore, that the traditional economic solutions of the past might not answer these new and developing economic problems.

The economic future of rural America is closely tied to the success of the goods producing sector. Government policies and individual decisions which affect the capacity of rural areas to be internationally competitive in farming, forestry, manufacturing, and

mining are vital. The growing need for rural people to rely in the service-producing sector for growth in employment and income is the critical new variable. If rural areas can be competitive in attracting service-producing industries, such as tourism, computing, data processing, nursing and personal care, business services, and high technology based manufacturing industries, then their future is bright.

Regional economists have studied the factors which are important to industrial location for years. Five factors appear to be critical: Access to knowledge, access to capital, access to telecommunications, access to transportation, and access to a high quality of living environment. For the purposes of this presentation, I will concentrate on the subject of transportation and the rural economy.

Access to high quality transportation systems remains an important industrial location variable. In recent years, proximity to interstate highways and airline facilities has grown in importance. The nearly completed interstate system has reached directly into many rural areas. Yet in States such as West Virginia, there still exists the need for substantial highway development. There are still many areas within the State that are inaccessible due to poor roads and infrastructure. The geography and topography of West Virginia makes the construction of new roads and bridges a very expensive proposition.

Two critical transportation matters will influence the development prospects of more remote rural areas. First, is the level of commitment to the maintenance of the related public infrastructure. Interstate highways, including bridges and important access roads are deteriorating rapidly. Enough years have passed to make rebuilding or replacement a necessity. The cost is high. If the commitment is not made, rural areas will become progressively remote. The same can be said of air travel infrastructure. Second, the issue of deregulation of the airlines, aimed at returning the industry to a more free-market oriented economy has had a stark effect on most rural areas. Specifically it has resulted in fewer flights for rural areas. This has signaled a need for new and innovative solutions for transportation issues.

Recently, in close cooperation with the West Virginia Department of Transportation, I have had the occasion to become involved in one of these more innovative concepts that is the creation of wayports and the legislation recently introduced in Congress.

At the annual meeting of the National Conference of State Legislatures in Tulsa, Samuel Skinner, Secretary of Transportation, said that:

> State and local governments will determine the future of infrastructure and therefore where the major movers and shakers will be. The Nation must cope with enormous growth in demand for transportation if it is to maintain its competitive edge with the rest of the world. Paying for needed improvements in the Nation's infrastructure of highways and airports will require new approaches.

Again, one of the more innovative proposals being investigated is the creation of wayports. A wayport means an airport used primarily as a location at which passengers and cargo may be transferred between connecting flights of air carriers engaged in air commerce. Jim Sheppard, Manager at the Federal Aviation Administration in

Orlando, Florida was the initial supporter of this concept. He envisioned wayports being built in isolated areas away from congested skies over big cities. The fastest, cheapest way to unclog delays that plague airports is to build isolated transfer hubs in rural areas. These remote wayports would make it unnecessary for millions of passengers to pass through crowded urban airports to change planes, drastically cutting traffic at places such as O'Hare Airport in Chicago or Hartsfield Airport in Atlanta. Sheppard said "everyone is on the way somewhere else. All of these passengers and freight could be changing planes more swiftly and more efficiently at new remote airports designed expressly for that purpose."

I would encourage all Members of Congress to support the concept and legislation. At the moment, together with the West Virginia Department of Transportation, I am exploring the feasibility of West Virginia being considered as a future potential site for a wayport. Specifically, our activities include a study on the concept of the wayport and a future national conference on the topic. It is a unique window of opportunity for rural areas, beyond the 2,500 to 5,000 potential jobs that it could create, it could open an entire new manufacturing industry on the site of the wayport. There are no limitations to the future job creation possibility of the wayport. The most recent information that I have received concerns the fact that an amendment was placed in the Department of Transportation appropriations bill directing the FAA to study the issue of wayports. At this time, the FAA has taken no official position on the concept. It is very important that independent research be initiated concerning this issue and that all dimensions be fully explored. The wayport concept could be a major catalyst for rural economies and I hope that the members of this committee will consider monitoring the activities of this opportunity.

Thank you.

[The prepared statement of Ms. Barry appears at the conclusion of the hearing.]

Mr. STAGGERS. Thank you. If one of you were to wear a gold tie or gold bracelet or something, we could have gold instead of green. Thank you for that.

Dr. Kahle.

STATEMENT OF E. BOWIE KAHLE, DIRECTOR, DIVISION OF CLINICAL NUTRITION, DEPARTMENT OF FAMILY AND COMMUNITY HEALTH, MARSHALL UNIVERSITY SCHOOL OF MEDICINE

Mr. KAHLE. I would like to comment before starting, I very much appreciate Congressman Staggers' indication that we are the other university, and I would like to remind him that we are now officially the University of West Virginia. Hopefully in time, the merger will be real and we will be working much more closely to help the citizens of our State.

My name is Bowie Kahle, I am director of clinical nutrition in the department of family and community health at Marshall University School of Medicine.

As you know, the Marshall University School of Medicine is very highly committed to primary health care and as one part of that,

there is an important commitment to preventive medicine, of which my area, nutrition, is a major component.

Unfortunately, West Virginians are dying at a younger age compared to citizens of other regions. Additionally, large numbers of West Virginians are plagued by chronically poor health and require medical and financial assistance at ages younger than citizens in many other States. These kinds of facts require that we investigate many of the reasons for this type of action and we find that many of these problems might be solved by rather simple changes in lifestyle. Those changes may very possibly include changes in the eating habits and nutrition of our citizenry.

The death rate in West Virginia due to heart disease, to cerebral vascular disease, to diabetes, is much higher than the national average. Dental problems are acute in all age groups and the number of obese citizens per capita is higher than in any other State in the country. Each of the medical problems that I have just mentioned can be linked to dietary habits and suboptimal nutrition.

The elderly citizens and the children in West Virginia are most susceptible of our people to imbalances in nutrition, particularly in protein calorie nutrition and in borderline deficiencies in several key vitamins and minerals.

At present, nutritional management is fragmented, due to incomplete assessment of the patient population and to a lack of standardization in assessment and reporting.

Our rugged, mountainous geography, as just mentioned, magnifies many problems, including nutrition problems in certain age groups and in certain physiological states, particularly in the elderly. Many rural West Virginians have limited access to refrigeration and no fresh food supplies. Many do not have either gas or electricity for cooking and lack running water.

When we look at nutrition, we generally think that there probably is no additional need for investigations, that all of the investigations have been done. What we find is that many of the problems that are found in our citizens have not been exhaustively documented. We do know, for example, that suboptimal levels of vitamin A is prevalent in about 60 percent of the pregnant and lactating women, in infants and in the elderly; that borderline vitamin C deficiencies, low calcium and B vitamin complex deficiencies are prevalent in many parts of our State and in many different age groups.

The abnormally high incidence of obesity and artery disease suggests that blood cholesterol patterns are imbalanced. Obese West Virginians are more likely to exhibit abnormally high levels of glucose and poor glucose tolerance, leading to the development of non-insulin dependent diabetes.

A part of these problems may very well be due to the lack of mobility of the rural citizens of West Virginia and the fact that the gene pool has been integrated to a larger extent than we find in other parts of the country.

Our diet caters heavily to the highly palatable taste of sweets, salts, oils, and fats. And although the documentation is rather fragmented and generalized, several reports suggest that West Virginians are among the highest American consumers of substances such as soft drinks and other products with refined sugars. Our

mountain heritage emphasizes the consumption of salt processed pork and pork sausages. The dietary habits of West Virginia's mining regions in particular include excessive consumption of animal fats, of salt and sugar in luncheon meats, in soft drinks and packaged sweets such as the well-publicized "Moon Pie" made famous by Larry Gross in "Junk Food Junkie."

The impact of malnutrition on the community and its economy is very evident. Malnutrition can impact on almost every aspect of the lives of these individuals. Their work performance, education and learning abilities, development of criminal tendencies and the full range of problems in clinical medicine. People without adequate diets are immuno-suppressed and are more subject to infectious disease. Once injured, they are less able to heal.

The consequences of inadequate diet ultimately place additional burdens on the economy of West Virginia. The sum of these factors present a negative drain on the economy of our State. The general health and productivity of the workforce is jeopardized, a factor that lowers the general tax base. Poor health among the workforce and general population contributes to a higher insurance rate and to higher health care costs. These factors are exemplified by higher costs for the care of the elderly, especially due to earlier confinement in nursing home facilities than might be required if the citizens were properly nourished. Poor health among unemployed must be treated without remuneration. "I do not work, I cannot eat, I get sick, you pay for my treatment."

What is Marshall University doing? The Marshall University School of Medicine is actively developing a center for nutrition research. The center encourages proposals for original research that will include practical and experimental approaches to investigate nutrition as a causative factor for health problems prevalent among West Virginians.

We plan to identify and investigate problems of special relevance to our West Virginia residents and to provide a field nutrition section designed to interact with subjects participating in nutritional assessment and other protocols. This field section based in the Department of Family and Community Health's rural health clinic network, will implement diet and behavioral changes designed to improve nutritional status. The center will recommend ways to deliver changes in nutrition, in cost-effective and culturally acceptable manners.

Cooperative research efforts are being proposed between Marshall University investigators and appropriate units in Federal Government and in State government. Compatible research interests are currently being explored with several research investigators in the USDA Beltsville Human Nutrition Center. A reasonable projection for these endeavors is that rural West Virginians may become a model population for new research advancements in the area of obesity, of artery disease, and noninsulin dependent diabetes.

I must say, however, that at this point our level of funding is not sufficient to support the full range of research that we feel is necessary to provide solutions to this region's malnutrition. However, we have begun to institute clinical nutrition research projects and a selected target group are the rural elderly. These efforts are

being supported analytically at least by the human nutrition center at Beltsville.

The impact of this program is—we hope will be directed toward reducing the medical costs that result from malnutrition. These costs ultimately being placed on the State of West Virginia. Such research methods and efforts can be applied as desired to other geographical areas. Patients who cannot afford adequate nutrition certainly cannot afford medical costs associated with malnutrition.

Health benefits and goals of the center include, but are not limited to, reducing State expenditures and taxpayer support for health care resulting from suboptimal nutrition such as early confinement of the elderly to nursing facilities and loss of productive time by the workforce due to illness.

Marshall University is at this time presenting a strong nutrition conscious faculty who together can provide a good effort in this primary health care research region. Primary emphasis in large segments of the medical school are based and are directed toward the health care of rural and poor citizens in our central Appalachian State.

We sincerely ask that you consider including, as you formulate your legislation, ways in which you might be able to supplement the development of this center. And we thank you very much for listening.

[The prepared statement of Mr. Kahle appears at the conclusion of the hearing.]

Mr. STAGGERS. Glenn.

Mr. ENGLISH. Thank you very much. I just simply want to say on the record that I appreciate both of you testifying, your testimony was very good and we certainly will keep that in mind and I thank you for the suggestions.

Mr. STAGGERS. I have two questions.

Christine, what would you see as—you mentioned Mr. Skinner, the Secretary's comments on rural policy. Hopefully that will mean some funds for rural America in transportation. The wayport concept, what do you see as the biggest obstacle right now, why can we not implement it faster? Is it at the Federal level that we need to do a better job?

Ms. BARRY. I perceive two problems. The first one is getting the bill through Congress which is always a lengthy feat.

Especially since it asks for substantial funding from the airport trust fund, approximately $1.5 billion a year over 5 years. So I think any time you get into funding there is going to be a major battle in that area. I perceive some problems within the Department of Transportation and the FAA. Secretary Skinner was supportive, but the gentleman who really worked on it initially has been placed under a gag order at the moment, which is an unusual situation.

Mr. ENGLISH. They did what now?

Ms. BARRY. The gentleman who—Mr. Sheppard, who originally worked on the committee to come up with future opportunities in air travel, is currently under a gag order and is not allowed to travel, is not allowed to talk to anybody specifically, which may be usual in the Federal Government, I do not know. I have not encountered this before.

The middle management administrators wish to carry the ball. Now as an intellectual that concerns me as to who is going to do the study and how that is going to move forward, which is why I am very pleased that I have the support of my department of transportation and that we are going to try to initiate some papers on it and encourage other people to do the same thing. Again, my information was last Tuesday, so things are very, very recent.

The sites is what concerns me. Who is going to pick the sites or can we get in a situation where we are allowed to compete for the sites.

Mr. ENGLISH. Will the gentleman yield?

Mr. STAGGERS. Yes.

Mr. ENGLISH. Is not one of the problems though that we really come down to, the major airlines have already made their commitment toward another system. And the other system, does it not allow for basically the airlines to develop monopolies in various regions of the country?

Ms. BARRY. Yes, the airlines have made monopolies. But I had the occasion to listen to the vice president of marketing for U.S. Air and he was still very receptive to it, and I believe Braniff Airlines is also. Sometimes it is necessary to bring people into a concept rather than to expect them to lead.

Mr. ENGLISH. That takes me to my next question. We have committed some 12 years ago—nearly 12 years ago—to deregulation of the airlines. In order for us to go back and develop a wayport system which in fact would require the airlines to change their hub system, which would in fact jeopardize the monopolies that the airlines have in various regions of the country, would require reregulation by the U.S. Government. At least it moves back in that direction. Now I am in favor of that avenue to reregulate the airlines quite frankly, I think it needs to be done. The worse vote I ever cast was to deregulate the airline industry, I pay for it every time I fly.

But let me say that part of what you may be running into here is a very strong philosophical question because there is no way that you can institute a wayport system, even if we had the money, unless we are willing to reregulate airlines.

Ms. BARRY. Well I think that deregulation at the time looked like a good idea but frankly was a mistake, and I remember—hindsight is 20/20 obviously, but I think yes, we are talking about reregulation. I had 10 minutes to go at O'Hare—leaving Tulsa as a matter of fact—to go from that terminal B to terminal C where the commuter airline was, and when I arrived there running all the way, which was not in that airport a very pleasant experience, they could not even tell me where my flight was, and I say to myself "wayports here I come."

Mr. ENGLISH. Now you understand a little bit of what it is like being a Member of Congress.

Ms. BARRY. Yes, I do. You know, that was it.

Mr. STAGGERS. Just one comment for Mr. Kahle. Last year with Mickey Leland, we did touch on those issues that you are addressing, nutrition. A comment I made last year and will make again is that we really do not have health care in the United States, we have sick care and if we do not do something about nutrition, it is

going to cost us more and more dollars, and I could not agree with your statements more strongly than what you presented. We need to do a better job, and I agree with you.

Mr. KAHLE. Thank you.

Mr. STAGGERS. Thank you both.

Dean Kenny, Concord College, is the next person. He is with the Small Business Development Center.

STATEMENT OF DEAN R. KENNY, PROGRAM MANAGER, SMALL BUSINESS DEVELOPMENT CENTER, CONCORD COLLEGE

Mr. KENNY. Mr. Chairman, Congressman Staggers, it is a pleasure to be with you this morning and see you again. We have worked together in rural development in the past. I am from Concord College, our Small Business Development Center, located in Athens.

I have been with the center now for 18 years working in rural development with small business clients. The purpose of our center, as you know, and the SBDC programs throughout the country is to help small business grow, succeed, and start up businesses.

At Concord, we were created in 1963 by the faculty, the administration, through the ARA program, Area Redevelopment Administration, which is now EDA, U.S. Department of Commerce. So our roots were with the Federal Government.

We are interested in stimulating economic growth, creating permanent jobs through a small staff that we have at the campus.

But now we are part of a larger mechanism, a larger network of resources through the Small Business Administration, as you are aware. And in July 1982, we affiliated with SBA through the Governor's office. Our State director today is Eloise Jack in Charleston. We have a contract agreement with the Small Business Administration through our Governor's offices to provide these services to help small business clients, not only in our small towns and cities, but certainly in our rural areas.

The kinds of support we provide with our technical staff and our business faculty, includes assistance in managerial and technical areas, financial resources, loan packaging, education and training workshops and seminars, which we sponsor throughout the State. We specialize also in government contracting and procurement programs. We are particularly interested now in expanding into international trade through the SBA program, again working with the Marshall University Center for International Trade.

We have the resources and capabilities of helping our clients start a small business with a "one-stop shopping center," so to speak, where we can take that client through the complete startup phase of all the State and Federal regulations.

We also like to specialize in small business incubator development. We were directly responsible for the feasibility study for the first small business incubator program in Princeton, and now we have two rural incubators we are planning in the heart of the coal fields, working with the local mayor and the local business development authority. We are particularly interested in veterans' assistance—the Vietnam Era Veteran Program; we also participate in the SBA contract in many of our campuses under the SBI or small

business institute program, where we provide assistance through our interns and our business faculty to counsel a small business throughout a semester.

In West Virginia, we have a total of 11 centers available for counseling and assistance covering the State. In rural areas, we also focus on a "circuit rider" program, where we have our analysts going to particular areas in the counties and chambers of commerce and employment security offices to further our networking efforts working with our business community to serve our clients. An example might be, Congressman Staggers, the program we sponsored in Union, the marketing program for spring water and bottled water plants. You were our keynote speaker, which we greatly appreciated.

Of course, you know we have our first bottled water plant now under construction in Monroe County and the dedication is October 2. I am sure you are invited to the ribbon cutting ceremony. Again, local initiatives started the project by two people, Janet and Bill McMillian—he is a disabled Vietnam-era combat veteran. They took the initiative with their business plans, with our assistance, and now the plant is under construction for the first home grown bottled water plant in Monroe County.

But, we also have as a result of that seminar and training program two other groups seriously looking at spring water as an economic opportunity.

We have specialty areas that we can provide small business clients in West Virginia through the SBDC. For instance, right here on this campus at Tech, we have college of engineering resources—applied engineering and product development and evaluation through our SBDC center located here on campus under the direction of Jim Eppling, program manager.

At Concord, we are specializing in travel and tourism and we hope to develop a strong institute program throughout the State, where we can provide this support through the SBDC program.

At WVU, we call on the university for help in feasibility studies and market research activities for a particular client.

SBA has extensive resources to help in the rural areas—we have a new SBA initiative that is developing throughout the country. The theme is: "It is Time for a New Alliance, Working Together on Solutions." In our program, we emphasize a theme of "partners in progress" at Concord College to focus all our activities.

SBA can also serve as "a catalyst" in the business community working with our SBDC resources, and providing cooperative efforts. The expertise is already in place, but there are recommendations for rural development that SBA is advocating. We need more capital for small business development in the area. We need training and advice for small business owners and we do a lot of this through our SBDC partnership network. We are concerned that we have a workforce that is educated and trained through our vocational centers, and also through higher education, for jobs of the future.

Much information is available through SBA on existing programs with a comprehensive SBA directory for rural areas.

We see infrastructure also as a very important requirement for small business support in the rural areas, and also the need for

technology that competes with a global economy. And, one of the new things that can help us with a giant step in West Virginia is to look at the factory of the future program, with Computer Integrated Manufacturing—CIM—techniques being advocated by Marshall University's center for regional progress. We are glad to be a partner in that program as well in southern West Virginia.

Leadership in local communities is critical—very critical. West Virginia Tech just passed out a workshop flyer a few minutes ago that is being sponsored here in community and economic development in cooperation with the West Virginia Labor and Management Council. A series of 1-day workshops is being planned for rural community progress and economic growth.

So, institutions of higher education can also be a partner in making things happen in rural communities. An example might be the Concord College Leadership Institute we created this summer. A series of annual seminars is planned in the future with multicosponsors and a network of resources, including WVU cooperative extension, and, resource conservation and development areas, Ruritan National, our civic clubs located in the local county areas, the farm bureaus, and the regional planning councils. In the network, we are suggesting in our partnership program, to not overlook the Governor's partners in progress development council program and initiatives currently under way.

Under the Rural Development Policy Act of 1980, a key mechanism is being recommended to develop the Technical Rural Assistance Information Network, they call it TRAIN.

I would make an appeal not to duplicate or overlook the partners that are already here and in place in our counties, in the cities, and in the State.

Ruritan clubs, a civic organization, are right there in the trenches in the rural farm areas—they already have the local citizens involved. We cosponsor activities with them. Ben Crawford, our executive secretary in Dublin, VA, would be delighted to cooperate and become a partner in local initiatives to create jobs.

We have SBDC's in 50 States; we have strong cooperative extension services; we have the RC and D program, which I am an active member of. We sponsor local initiatives—an example is tomorrow night—the initiative that RC and D is sponsoring, is to develop the first West Virginia Venture Capital Club in West Virginia. Again, rural areas need investment, besides our good banking community. Very often we need venture capital. If we do an SBA loan, we require that up front equity cash of 30 percent, so that we can then proceed with financing an effective business plan or a new patent or a new process. And, often venture capital is needed on a local basis.

We would also like to endorse Senator Rockefeller's initiative, where he is proposing loans to create and expand rural business incubators through the rural incubator loan fund. This is under the Rural Electrification Administration, to promote economic development through incubators as an economic development tool. A small incubator, of course, is a tool or a device where new businesses can operate under one roof, share services and equipment, have access to a range of services either from higher education or the local business community through a networking process.

We would recommend that we reinforce the informal networks in the rural areas that are already in place, whether they are on a State, county, or local basis—or whether they are in private industry, in higher education, or our vocational center program. These resources are available to you to help get the job done and revitalize rural America.

RC and D is a mechanism of volunteers and we are proud to be part of this network. Congress has voted over 220 of the RD and D's—about 180 now are in place. I think our philosophy is similar. The RC and D program, is administered by the Soil Conservation Service, based on volunteers in the rural areas, using local resources and creating new jobs, new activities, while helping to spur our economies in recreation, tourism, forestry, and forest products. And they do all kinds of work. We do all kinds of projects, seminars over the years, including grantsmanship training, which is rather unique for our communities. So the RC and D program should be considered also, besides SBA and our SBDC activity as a real partner for rural development.

The program is growing. We would like to recommend that Congress consider additional funding for rural loans through Farmers Home Administration, and if the TRAIN program does develop, to seriously consider the existing volunteer network currently in place through RC and D. The purpose of RC and D is to work with local decisionmakers, again to improve job and income opportunities in agriculture, tourism, recreation, forestry, and energy development. And also to cultivate in all citizens and at all levels of government, a conservation ethic for a productive harmony between nature, farm, and our business development.

We have a philosophy or motto in SBA and SBDC, but I like our Mountain RC and D motto, "There is no limit to what can be accomplished if it does not matter who gets the credit."

Thank you very much.

Mr. STAGGERS. Thank you. Glenn.

Mr. ENGLISH. Thank you very much.

Mr. Kenny, this is outside our jurisdiction somewhat, but I was struck by the fact that as far as Small Business Administration loans, that very, very few of those, even considering the percentage of population distribution in this country, goes to rural areas.

Mr. KENNY. Yes, but SBA has the authority to work in that area.

Mr. ENGLISH. Well, I know they have the authority, but the fact is they are not loaning the money. They put the money in the urban areas and they are not putting it in the rural areas, which it seems to me is discriminating tremendously against rural areas. Do you not agree?

Mr. KENNY. No, I would not. An example would be our bottled water plant.

Mr. ENGLISH. Excuse me?

Mr. KENNY. An example is our bottled water plant where the entrepreneur, the developers, are coming back to us now for refinancing with an SBA guaranteed loan, although we originally structured that program with a Farmers Home guarantee.

Mr. ENGLISH. Yes, but I am talking about when you look at across the country, the distribution of those loans, there is a very small percentage compared to the urban areas and even if you con-

sider it in proportion to the population of the country, it is still overwhelmingly in the urban areas. Do you have any suggestions on how we could get some of that money to the rural areas?

Mr. KENNY. Well again, it is available through our program, we see rural people all the time, sometimes we will recommend Farmers Home. SBA is limited to $750,000 per business loan and if it is a larger program, then we will recommend a Farmers Home application and call Farmers Home.

Mr. ENGLISH. In fact most of the loans in the rural areas would be smaller loans. We had one request in here today for $2,500 to $15,000. I do not know, that surprised me when we got to checking those statistics and looking at them, it really surprised me and the only explanation we can come up with so far is that most of the effort that the SBA puts forth is put forth in urban areas, they just really do not have that many people out there, unless we are willing to assume of course, the conclusion that folks in rural areas do not want or need loans, and I do not think that is true.

Mr. KENNY. Well, RC and D has a loan program for nonprofits through Farmers Home Administration and we recommend that periodically to help in water resources, infrastructure, and so on. We have Mr. Ed Zimmerman with us today who is branch manager of our SBA office here in Charleston, who could reply to your question quite specifically.

Mr. ENGLISH. Well we are going to look into that because I think that we are running into some real problems in that area and I think that certainly rural areas should get a percentage of the funds that are available, but comparable to their population, that seems to be reasonable.

Mr. KENNY. I agree.

Mr. ENGLISH. Thank you.

Mr. STAGGERS. Thank you.

The next speaker has been delayed. Tim Oxley will just say a few words for the Regional Planning and Development Councils.

STATEMENT OF TIM OXLEY, REGIONAL PLANNING AND DEVELOPMENT COUNCILS

Mr. OXLEY. Good afternoon.

Mr. Chairman and Mr. Staggers, I had hoped to defer testimony on behalf of the Regional Planning and Development Councils to Mr. Green. Obviously in his absence I would like to say a few things. First of all, I would like to thank you for bringing the field hearing to this area of West Virginia. On behalf of the 26 municipalities and 5 counties I serve, we certainly think this is something of significance.

The area that I serve, the five counties in this part of West Virginia, are very rural. We have one-seventh of the State's land area but only—one-fifteenth of the State's population which means we have about half of the State's average of people per square mile. We are very rural.

As of July, we had nearly double the State's unemployment rate, which means not only are we rural, but we also are distressed.

This list of witnesses that I have sat and listened to this afternoon, have covered all the bases of the needs of rural areas and I

shall not try to duplicate that. I would like to summarize several of the areas that I think have some needs as we break this afternoon.

Certainly infrastructure is of utmost importance in rural development; water, sewer, public facilities. Also a need exists for training and technical assistance to aid in the diversification of our economy. Particularly agricultural diversification has been mentioned here this morning, and also this afternoon with Mr. Kenny's comments about value added opportunities and one-stop shopping for support of programs that are already in existence. Incentives to cover a tremendous gap in financial resources, particularly with respect to high risk or entrepreneurial ventures are also needed. There is a gap in that financial base which needs to be covered.

Also there is a need in rural areas to provide incentives to improve local government productivity and to consolidate services of local governments who can marginally provide those services. One way that has been suggested is through the circuit rider programs that the Department of Agriculture had fostered in the early 1980's prior to major reductions in Federal support.

Also, I would like to suggest the utilization of areawide organizations such as has already been mentioned; councils of government, local development districts, economic development districts that are already in place to bridge the gap between local communities and the Federal and State resources. We have developed over our 15-year history, credibility with local government officials, with State and Federal development agencies and with many of the players in rural development, as well as private sector. We are working in community development on a daily basis and we also stand ready to further the needs of rural development.

But with respect to conservation, something I would like to mention, Congressman Staggers, as you pointed out about change in many of the communities, I think the key, the difficult key that we have as people who are involved in rural development is to provide quality jobs and economic opportunities in our rural areas while we preserve the very environment that makes the quality of life an envy of most of the people in this Nation.

I would be more than happy to submit to you written testimony in absence of Mr. Green, and would like to thank you again for this opportunity.

Mr. STAGGERS. Thank you. Glenn.

Mr. ENGLISH. I have no questions. I just simply want to thank you for your testimony and ask unanimous consent that we have 10 days to receive any written testimony that may come forth for the record.

Mr. STAGGERS. Without objection, so ordered. I have no further questions either, Tim. Thanks for your testimony.

Mr. OXLEY. Thank you.

Mr. STAGGERS. Judy Hamilton was supposed to be here but she is not here.

So that concludes the hearing, we appreciate all the witness' testimony.

I wanted to impress the chairman, as I said earlier, I tried to pick the best people here and I want to say that they exceeded my expectations. I really appreciate the people who participated.

Mr. ENGLISH. Thank you very much. Harley, I would simply like to say that I deeply appreciate your hospitality and certainly appreciate the hospitality of the people here in West Virginia. This has been a good hearing, you have given some very fine testimony and made a real contribution to this overall effort. And hopefully we will see that reflected in the legislation that is forthcoming. It is our intent that we will begin drafting this legislation shortly and hopefully we will have it ready for introduction by the end of October. I would like to see us move this legislation through the subcommittee and to the full Agriculture Committee before we adjourn this year and I think we have a shot at that.

Again, I want to thank you for your contribution and hopefully the legislation will measure up quality-wise to the testimony that we had here today.

Again, thank you very much, Harley.

With that we will recess subject to the call of the Chair. Thank you.

[Whereupon, at 1:30 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Remarks for Jim Christie
to the
Subcommittee on Conservation, Credit and Rural
Development of the House Agriculture Committee

I want to thank you the committee for allowing me to testify before you.

I am here today to share with you some of my views on rural development. I have both lived and worked in rural West Virginia. Before becoming the Director of the Governor's Office of Community and Industrial Development (the primary economic development agency in state government), I was vice president of Grafton Coal Company for 14 years. I have seen firsthand the problems of rural West Virginia from government and private business perspectives.

More importantly, I am here today as Governor Gaston Caperton's alternate to the Appalachian Regional Commission. Governor Caperton, the other 12 Appalachian governors and the Federal Co-chairman are delighted with the current focus in congress on the problems of rural America. The attention is overdue, and we are grateful for those members who have recognized the needs which exist.

When developing the complement legislation to Senate Bill 1036, the "Rural Partnerships Act of 1989," we believe strongly that any effort to, in the words of Senate Bill 1036, "improve the economic development and educational well-being of rural America . . . ." must, in order to be successful:

1. Provide for a full-fledged and meaningful partnership among federal, state, and local governments and between the public and private sectors;
2. Provide for sufficient flexibility to meet different needs in different areas without the establishment of artificial rural areas which are in desperate need of assistance; and

3. Provide for elected officials at all levels, a degree of responsibility and authority which will ensure the stable and effective implementation of public policy and which will enable the citizenry to legitimately hold them accountable for successes and failures. In particular, we believe strongly that governors are in a unique position to view local needs within the context of federal goals and regional and state priorities; and therefore, they must have key roles in the design and implementation of any set of programs to assist rural America.

The Appalachian Regional Commission, at its meeting in February 1988, attended by 11 of our 13 governors, unanimously adopted a resolution setting forth its findings and adopting principles for rural policy based on its experience with the Appalachian Regional Commission.

Let me summarize some of those findings:

"1. Rural America . . . continues to lag behind the rest of the country, with adverse consequences for national development.

"2. Rural America, more heavily dependent on manufacturing than urban America, derives most of its income from nonagricultural sources.

"3. In recent years, manufacturing, as well as mining and other extractive industries in rural America, have been hammered by a variety of economic, technological, and financial forces that have significantly weakened rural areas' capacity to compete.

"4. As profound social and economic changes continue to transform rural America, a thorough review and revision of government programs and policies should be initiated, taking into account lessons learned from past efforts as well as current and emerging trends likely to continue into the future."

Based on these findings, the Commission adopted some of the following principles, principles which have as their core the concepts of partnership, flexibility, and accountability:

"1. A high-level coordinated state-federal emphasis on rural development is essential. In the states, this requires gubernatorial participation in design and implementation. In the federal government, this requires appointment of an individual who can coordinate federal programs and policies for rural America and link federal efforts to state and private sector activities.

"2. All activities should be designed to foster efficient public-private cooperation that encourages private sector development in rural areas. Satisfying the needs of business for access to new technologies, adequate capital and technical assistance are important public concerns.

"3. Strengthening the human resources of rural areas is a key to their development. Further improvements in education programs at all levels, as well as dropout prevention, adult literacy and worker training programs should all receive high priority.

"4. Rural areas are diverse economically, demographically, and geographically. Programs for their development must be flexible and sensitive to differing community, state, and regional circumstances."

Let me reiterate that governors must have a meaningful role in establishing goals and priorities, both for their states and for their regions in concert with other governors from the region; they must have a significant voice in the distribution of resources within their states and should be provided with incentives to allocate state resources to match federal

resources; and they should be encouraged to continue their leadership in devising new initiatives for rural areas.

In closing, I am encouraged by the attention rural development is receiving from the congress and I'm hopeful some of my comments can be considered when drafting the legislation.

I will be pleased to answer any questions you may have.

Thank you very much.

To: U.S. House of Representatives
House Agriculture Subcommittee on Conservation, Credit and Rural Development

From: Chris Weiss
Ms. Foundation for Women
Women's World Banking
Kate Fitzgerald
Women and Employment, Inc.

Re: Testimony on Rural Development Needs
West Virginia Institute of Technology, September 18, 1989

Good day. We would like to thank you for the opportunity to speak to you today about the development needs for rural women. We are here today both as rural women from Lincoln and Logan Counties, and as employees of organizations working with rural women's development projects. Together we bring a national and state perspective on this topic.

The Ms. Foundation for Women is a national organization which provides seed money for women's organizations seeking to supply solutions to many of the problems plaguing women in the U.S. It has supported projects ranging from the needs of battered women to career choices for young women. We also operate an economic development project that assists women with income-generating projects in their communities.

Women's World Banking is an international women's organization that was established to encourage the direct participation of women and their families in the full use of the economy, particularly those women who have generally not had access to the services of established financial institutions. Among the various programs accessed by over 40 affiliates around the world, including four in

the U.S., is a loan guarantee program that provides access to credit for small loans to women-owned businesses.

Women and Employment has operated for the last ten years in West Virginia, developing programs that assist women in nontraditional job choices, small business development for rural women on welfare, and credit programs for micro-business loans.

Rural women's organizations have demonstrated their effectiveness in several ways. The first is that they have diversified programming, combining human development with economic development. Women and Employment has an information and referral service, a job assistance program for women in homeless shelters and an entrepreneurial training program, including a special program for people on welfare. It has also provided technical assistance to three worker-owned cooperatives and several other community groups interested in starting economic ventures of their own. These activities have resulted in jobs and income and self-esteem for rural women.

Secondly, these organizations operate out of a solid knowledge of their communities. They seek input from their constituency before they develop programs. They know the needs as well as the resources of their communities. Development is done from "the bottom-up", assuring program interest and broad-based community involvement. However all too often these interests are surfaced with little money available for specific projects. Daycare, training, and transportation are all examples of identified interests with little available funding.

Third, these organizations have an advantage because they understand it is critical for rural development to include women on a primary level. We can take a lesson from international programs working with women. They have learned that if the goals of development include improved standards of living, removal of poverty, access to dignified employment, and reduction in societal inequality, then it is quite natural to start with women. They constitute the majority of the poor, the underemployed, and the economically and socially disadvantaged in most societies. They have also learned that if the income of women is increased, more people benefit. Women tend to spend their increased income on their families, on food, clothing, and shelter. Men spend increased income on consumer goods. If government wants to put its money on development projects that will affect the most people, it will target programs that increase the incomes of rural women.

With these observations in mind, we would like to present two concrete recommendations for this Committee. First, we believe that rural areas and rural women suffer disproportionately from a lack of available credit to fuel development. We have seen a great need for small amounts of money, from $2,500 to $15,000 be made available for local rural development needs. We ask the committee to take action to insure these small amounts of money are made accessible to micro-entrepreneurs and community development groups.

Secondly, we underscore the recommendation in Senate Bill 1036 that community-based organizations be utilized to deliver programs to rural people. We have told you of our first hand experience of

how groups have been effective with the limited funds currently available. We are particularly interested in seeing that rural women's organizations be targeted for funding.

We congratulate the Committee for the foresight to hold hearings on rural development concerns. It is the first time in many years that rural concerns, other than agriculture, have been noticed. In drafting new legislation, we ask that the needs of rural women be recognized, not ignored, and that women's organizations be given the opportunity to show that the future of healthy, rural economies starts with women.

TESTIMONY OF FRED STOTTLEMYER,

PRESIDENT OF THE WEST VIRGINIA RURAL WATER ASSOCIATION

AND VICE PRESIDENT OF THE NATIONAL

RURAL WATER ASSOCIATION

Mr. Chairman, members of the committee and committee staff, I am Fred Stottlemyer, President of the West Virginia Rural Water Association, and Vice President of the National Rural Water Association. I would like to thank the Chairman for bringing these hearings on the Rural Development Bill to rural America.

The primary goal of both our State and National Rural Water Associations is to improve the quality of life for rural Americans through the provision of quality, safe drinking water.

Thanks to your committee, our Association operates a nation wide technical assistance program funded through the Farmers' Home Administration. This program provides hands on technical assistance to rural and small community public water systems through a circuit rider who travels throughout each state.

In addition, our Association presently operates, through funding from EPA, a training program for rural water system personnel in thirty-six (36) states, and is planning to expand that effort to an additional seven (7) states over the next year. This program focusses its efforts on assisting rural and small community water systems to comply with Federal Safe Drinking Water standards. Also, our National Association is operating on an experimental basis a FmHA funded waste water circuit rider program in fifteen (15) states and the first year of this program has, without a doubt, pointed out the overwhelming need for a nationwide effort in this area to assist rural communities in solving the ever increasing environmental problems associated with waste water.

As you cross the nation hearing testimony on the needs of Rural America, I urge you to look closely at the importance of sound and safe drinking water and adequate, environmentally safe waste disposal in the development of rural America. Without safe and adequate water and waste disposal systems, I am fearful that any efforts we make to develop rural communities are doomed to failure.

Over the years, your committee has been the only group in Washington which has consistently protected the interests of rural water and waste water development. For more than eight (8) years you have turned back repeated attempts by the administration to eliminate the highly successful FmHA water and waste water loan and grant program. While the buying power of this program is less than twenty (20) percent of what it was ten (10) years ago, it is still intact and you are to be commended for successfully resisting the efforts to destroy this important program.

To understand the water and waste water needs for developing our rural communities, I believe we must first look carefully at the current status of many of our rural communities. Many officials in our urban dominated governments have taken our rural communities for granted and assume that they will always be there to provide the fuel, food, natural resources, water supplies and recreational lands needed for our nation's predominately urban society.

In many cases, our rural communities were established years ago to provide the manpower and services necessary to produce the food, fuel, timber, and other natural resources to serve urban communities. As the manpower needs of these rural industries have changed, these communities have generally decreased in size and there are far fewer people to pay for the water and waste water facilities needed to provide a decent quality of life. At the same time that EPA has determined that it is feasible for Americans to absorb a doubling of their water bills to pay for the cost of meeting newly promulgated safe drinking water regulations, many of our rural communities are faced with financial and physical collapse of their water and waste water systems.

To illustrate my point, I would like to present the committee with a copy of a video documentary entitled, "Ten Miles to Fetch Water." This documentary vividly illustrates the decline and near collapse of a number of rural water systems in what was one of the most productive coal mining areas of West Virginia. I urge the committee and staff to view this tape as it could be a prophesy of the depressing conditions that we will witness in many rural communities across the nation if we fail to take immediate action as a nation to invest in the water and waste water systems of rural America.

Many may say that there is no hope for rural communities and that to invest further in them is a waste of precious federal funds. I believe we must point out to these skeptics that rural communities are home for millions of Americans who have invested their years of hard work providing urban America with necessities of life. For several generations, these rural Americans have invested the fruits of their labor to build sound housing and sound communities, and, I believe without a doubt that the most economic housing and life style for these individuals is right where they presently live.

However, if these rural communities are to have adequate and safe water and waste water systems we, as a nation, must strengthen our investment in these basic facilities. I urge the committee to include a strong component for water and waste water development in the Rural Development Bill, and to utilize the Farmers' Home Administration as the vehicle for implementing this effort. This agency has a proven track record of working with rural communities, including a very low loan default history, and we encourage you not to start now to experiment with new agencies when you have worked so hard over the past eight (8) years to assure that the administration did not destroy this successful program.

I request that you consider the development of a mechanism that provides a strong incentive for state government to participate financially in an expanded rural water and waste water program. Unfortunately the need for rural water and waste water investment is often ignored by many states, including my home state of West Virginia. Indeed West Virginia has serious financial problems, but I do not believe the past practice of placing the vast majority of the financial burden on the federal government can

be allowed to continue. State government must be forced to be a significant partner in this effort and I suggest that the program you develop must include strong incentives for all states to join this partnership.

The economic vitality of urban America and the increasing importance of protecting our environment is dependent, to a great degree, on the natural resources of rural America. As the caretakers and the reapers of this natural resource base, rural Americans deserve the opportunity to have safe drinking water and environmentally sound waste disposal systems. Investment by urban Americans to provide these facilities is not only reasonable and fair, but is economically sound.

I would like to thank you for the opportunity to appear before the committee and again ask you to take a few minutes to view "Ten Miles to Fetch Water" and to listen to the voices of those rural Americans who travel that ten miles every day.

Thank you.

Rachel B. Tompkins
Associate Provost for Extension & Economic Development
West Virginia University

Mr. Chairman, members of the Subcommittee on Conservation, Credit and Rural Development, I am Rachel B. Tompkins, Associate Provost for Extension and Economic Development at West Virginia University. I am also Director of the Cooperative Extension Service and speak today not only for West Virginia University but for my colleagues in the Cooperative Extension system across the United States.

West Virginia University, as a land-grant institution, has a commitment to extend knowledge to people and communities to help them solve problems. We've been working at rural development for 75 years. The President of West Virginia University has identified economic development as one of five strategic initiatives for the institution, and in very hard budget times has reallocated existing budget at the university to support economic development efforts.

As you know, rural revitalization is a major initiative of the Cooperative Extension system nation wide. Earlier testimony before your committee in Washington highlighted this initiative.

West Virginia, a state that is two-thirds rural and the second most rural state in the United States, has a vital stake in rural development policy. We welcome this field hearing of the committee in our state as you develop legislation for consideration by the House of Representatives this year.

As you consider rural development policy, I hope you will incorporate several types of diversity.

1. Diversity in the rural economy. Not only is the rural economy across the US diverse, but within West Virginia rural areas depend on different types of economic activity. Some areas of the state depend on coal; others on tourism, or forestry, agriculture and food processing, and several on small to medium sized manufacturing. Policies that are developed nationally on rural development need to take into consideration this diversity. West Virginia is largely untouched by rural policies that are focused only on agriculture production.

2. Diversity of economic development efforts at all levels of government. There are local economic development groups, state bureaus and agencies with plans and policies, higher education institutions with commitments in economic development, and a variety of federal agencies with real or hoped for rural development missions. A Federal policy response to rural development need not create a new agency or even a new coordinating mechanism for all of those organizations now doing economic development. Rather, the federal policy strategy should be to invest in that existing network of intergovernmental agencies committed to working on rural development to encourage successful practices and to provide incentives for further collaboration.

While I believe an investment in the Cooperative Extension System is called for, I am not totally parochial. Let me give you an example from another agency of the type of investment which is needed. In North Carolina there is a nonprofit organization called Real Enterprises, Inc., devoted to developing "real" businesses among vocational-technical school students in North Carolina and other states. The idea is that students come together with expert assistance, develop a plan for a real business, seek funds from real agencies that provide support for those businesses, and actually spin the business off into the community as an ongoing business and not just as a school project. This involves the collaboration of vocational-technical schools, small business development centers, local economic development agencies, the North Carolina State Government economic development apparatus, and other agencies. An investment in the secondary or post-secondary vocational system in America to support those efforts would be valuable.

3. Diversity of views on what constitutes rural development. West Virginia for decades relied on a rural development policy that encouraged extraction of timber and coal. In recent history, we have had a rural development policy of

industrial recruitment. It is important to maintain support for the extraction industries in West Virginia, and it is important to work on industrial recruitment, but today West Virginia understands that the appropriate rural development strategy is "know thyself" and invest in people and communities. Rural development policy at the federal level which support efforts by states to understand their own economies and their relationships to national and international economies and to invest in human resource development and community development will be most helpful.

West Virginia's current strategies in economic development involve West Virginia University and West Virginia University Extension.

1. A key part of the strategy is to understand the West Virginia economy and its relationsip to national and international economic trends. The state is making an effort to understand where, amid the trends, West Virginia economic enterprises can find niches or comparative advantages. State policy will then encourage investment in those areas. This has led already to additional investments in wood products, tourism and travel, and in the expansion of international trade beyond our long-standing trade relationships with coal. West Virginia University and WVU Extension have increased our technical assistance and research to the wood products industry with new state resources and in the area of international trade expansion for Appalachian hardwood products with new federal resources. We have also combined with Concord College in southern West Virginia to develop an Appalachian tourism and travel center which will provide assistance to that growing industry and to communities that are interested in expanding their abilities to attract travelers.

2. A second strategy is to educate leadership at all levels. Community leaders need to understand the economic development strategy, the areas in which the state has a particular advantage, and they need to understand the complex

nature of agencies and organizations and units of government and private sources that are available to help them as they attempt to take advantage of the possible niches for development. West Virginia University has provided training to people recently appointed to the Governor's Regional Partnerships for Progress Committees. We have designed and are implementing training for emerging local grass roots leaders at the Leadership Academy at the State 4-H Conference Center at Jackson's Mill. We are also in the process of designing and planning additional training for local government officials. It is only by expanding leadership at all levels--community, county, state--that we will be able to take advantage of economic opportunities in rural areas.

3. The third strategy is to increase the technological literacy and capacity of the state's population. Many agencies and organizations play a role in this. Our schools are making expanded efforts at the elementary and secondary level to expand the computer literacy of children now in school. My colleagues in vocational-technical and community colleges are devising programs that educate young people not only to use their hands but also to use their heads. Future jobs will require that they do both well. West Virginia University has been involved in encouraging the development of Software Valley, designed to attract new software business and industries to the state and also designed to increase the technological capacity of the work force. And finally West Virginia University Extension has been involved in a collaborative effort with several other higher education institutions in the state to create an industrial extension system that will enable us to extend the best research in manufacturing to improve the competitiveness of small to medium sized manufacturers. Much of West Virginia's manufacturing is located in small towns and rural areas and is critical to the rural economy.

4. The fourth strategy for economic development is to build the infrastructure. This infrastructure includes not only highways but a variety of transportation efforts; the expansion of water and sewer and waste water treatment; and expansion and improvement of health care services in rural areas. The expansion of telecommunications is particularly important to West Virginia University, which is developing education programs in rural areas via satellite. The Senate rural development bill includes a section that would invest in the telecommunications capacity in rural areas, which would be very helpful to our efforts.

Let me conclude by enumerating some conclusions about federal policy on rural development.

First, it's very important that federal policy recognize the diversity of rural areas.

Second, federal policy should strengthen existing units of federal and state government and public/private initiatives that tap diverse resources.

Third, federal policy should provide modest targeted funding to strengthen successful programs. For extension, that means an investment in the Rural Information Center and an investment in the federal, state and local extension network.

Fourth, federal policy should support creative methods of infrastructure improvement in financing which use modern technology. My colleague, Frank Shutz from the Small Flows Clearinghouse at West Virginia University, will testify in more detail about a particular example of this in waste water treatment technology.

We thank you Mr. Chairman for coming to West Virginia. We await your decisions with great interest as we continue our efforts to transform the West Virginia economy into one which both provides for our people today and is competitive in the 21st century.

TESTIMONY REGARDING THE RURAL PARTNERSHIP ACT OF 1989

PREPARED BY

FRANKLIN R. SCHUTZ, P.E.
RESEARCH ASSISTANT PROFESSOR
ASSOCIATE DIRECTOR
NATIONAL SMALL FLOWS CLEARINGHOUSE
WEST VIRGINIA UNIVERSITY

SEPTEMBER 18, 1989

Congressman English, Congressman Staggers, distinguished visitors and guests, I am very pleased to be here today to present testimony regarding the Rural Partnership Act of 1989.

My name is Frank Schutz and I am Associate Director of the National Small Flows Clearinghouse located at West Virginia University at Morgantown.

The National Small Flows Clearinghouse, established at West Virginia University under the 1977 amendments to the Clean Water Act, provides a number of unique and important services to the small towns and rural areas of this nation. Our business is providing information about low cost wastewater treatment, specifically those low cost wastewater treatment methods suitable for use by smaller communities of 5,000 residents or less. Small community wastewater flows are the "small flows" referred to in our title

While we can't provide wastewater treatment services ourselves, we do provide information, support and encouragement to small community officials and those persons who serve these officials so that they can select technologies and systems for themselves.

Specifically we review and abstract current technical literature, maintain a computerized database of current information and projects, distribute technical and non technical information about small flows systems, publish two newsletters, "Small Flows" and "Managing Small Flows", provide speakers for local and national conferences, maintain a computer bulletin board and perhaps most importantly, we maintain a toll free "800" WATS line over which small community officials, engineers, planners, regulators and

private citizens can call us to obtain answers to their small flow wastewater questions.

From our vantage point at the Small Flows Clearinghouse, and more specifically because of the access which we provide to small community officials and residents throughout the nation through our toll free WATS line, we are very much aware of the problems which small communities are facing and will continue to face in providing wastewater treatment and in complying with the provisions of the Clean Water Act, P.L. 92-500 and its more recent amendments.

A significant portion of the wastewater treatment problem facing small communities and private individuals in unincorporated areas can be attributed to a scarcity of financial and managerial resources. Small communities just do not have adequate funds to secure the technical and managerial expertise which they need.

A water or wastewater plant is a major investment and responsibility for a community which is governed by a part time mayor. It is even more of a responsibility for a group of individual homeowners who, like myself, live in a subdivision where we must provide our own wastewater treatment through our homeowner's association.

As I have worked with small communities, I have always been impressed with the professionalism and efficiency of the rural electric cooperatives. REA cooperatives, through their dedication, organization and training, are able to bring a vital utility service to rural populations on an affordable basis. I am whole heartedly in favor of Section 122 of the proposed Senate bill which allows existing cooperatives to enter into water and waste (I assume wastewater) facilities.

I have one major concern and wish to make several recommendations.

My concern is for those rural areas of the nation where for historic or economic reasons, there is not a strong rural electric cooperative presence. One of these areas is our home state of West Virginia. I want to see the opportunity for participation in rural water and wastewater cooperatives extended to residents of these portions of the nation as well.

I suggest two possible actions.

First, I recommend that eligibility for REA lending to support cooperatively owned rural water and wastewater facilities be extended beyond the existing borrowers under the provisions of the original 1936 Act. I want to see eligibility for REA lending extended to all qualified current and potential rural water and wastewater cooperatives regardless of their participation under the original provisions of the 1936 act.

Secondly, I recommend a program to actively encourage the formation of additional rural water and wastewater cooperatives under the REA structure in rural areas not presently served by REA electrical utilities.

In many states with large rural populations and significant rural wastewater needs, a rural electrical cooperative structure does not presently exist. I recommend in one or more of these states, the funding of a short term pilot or demonstration program to involve individuals, small privately owned systems and small communities that wish to be included, into the cooperative system.

This short term funding would be utilized as seed money to develop the technical and administrative support organization necessary to serve individual cooperatives. This funding would also be used to support a circuit riding outreach effort to provide information and to allow privately owned small systems to join the REA organization. I would anticipate and hope that after several years of funding assistance, these organizations would become financially self sufficient.

The primary targets of this outreach program would be existing, small scale, non-public water and wastewater systems serving individual homes in rural areas, residential and second home developments, mobile home parks and private recreational areas. Small community owned systems and public service districts would also be welcomed as potential members. The common denominator of all potential cooperatives would be their small size and lack of full time professional staff.

The services which the central support organization could provide for these individual water and wastewater cooperatives could include technical and operational assistance, circuit riding plant

operators, circuit riding repair and maintenance crews, centralized purchasing, design, bookkeeping and billing services, centralized laboratory services and access to lower cost capital for facility expansion and replacement.

The availability of affordable technical assistance may become particularly important to smaller water systems as they begin to cope with the complexities of the analytical, reporting and treatment provisions of the Safe Drinking Water Act.

Funding for such a pilot program might be considered under section 501 (3) of the proposed bill.

Having expressed these concerns and recommended potential solutions, I would also like to offer a proposal. As existing electrical utility operations move into the areas of rural water and wastewater treatment, I recommend several additional roles for the Small Flows Clearinghouse.

We know how to deliver low cost wastewater treatment information and we are very happy to share this information and to pass it on to members of the REA system.

Under the proposed Rural Partnership Act, there are several ways in which we could do this. Section 501 (2) states that the Administrator shall, "provide technical advice, troubleshooting and guidance concerning the operation of programs or systems receiving assistance under this Act." The Small Flows Clearinghouse could assist the Administrator in providing these services. Support for the Small Flows Clearinghouse to provide this assistance directly to REA cooperative members could be included under this section of the act.

In addition, the Small Flows Clearinghouse could provide its services to the REA cooperative members through a specialized service bureau, funded within the National Rural Information Center Clearinghouse, also included under Title V of the proposed act.

In regard to the funding of Clearinghouse operations to assist REA members and other units of local government, I would like to point out that the National Small Flows Clearinghouse is presently in the process of moving towards financial self sufficiency. Within the next two years, at the culmination of the EPA construction grants funding program, the Clearinghouse will be fiscally on its own.

This transition provides us with unlimited opportunities to participate in all small community environmental and infrastructure programs, both EPA funded as well as non EPA funded, including those programs proposed as part of the Rural Partnership Act.

However, this transition will also make it necessary for us to seek direct funding support for each service which we provide.

We believe that we have a unique role to play within the Rural Partnership Act and we seek your support for our inclusion within its provisions.

I thank you for your time and attention.

(Additional material is held in the committee files.)

STATEMENT OF PAMELA WHITE

PRESIDENT FUTURE HOMEMAKERS OF AMERICA

WEST VIRGINIA ASSOCIATION

STATEMENT OF PAMELA WHITE

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you today to discuss important issues relating to rural economic development. I am representing the West Virginia Association Future Homemakers of America and the over 24,000 students enrolled in vocational home economics programs in West Virginia. Future Homemakers of America is a national student organization that has its main focus on the well-being of families and individuals.

I am a senior at Union High School in Monroe County - what can easily be called a rural area. Growing up in a rural area has had its strong advantages and disadvantages. Rural students, because they are not redundant, are more engaged in the learning process, in both circular and extra-curricular activities. These students develop these qualities:

1. Strong positive leadership
2. High expectations of student and teacher achievement
3. Parental/community involvement and support
4. A friendly, but business like, classroom and school climate

Yet, the disadvantage for rural education is that it is not funded as well as urban schools. Students, after completing

their education, will move to other areas which offer more employment and opportunities.

What can be done to lessen the outflow of human resources from rural areas? I believe that in order to build a renewable rural community resource base that we must promote rural youth leadership by "hands on" community planning, thus developing a rural communities' two most valuable assets, young leaders and their problem - solving ability.

The concept of community has many different dimensions and different meanings. It is the place where we live, and it is a group of people who hold to similar values. Community is where we work and where we play; where we educate our children; where we go to the doctor; and where we attend church. It is where we produce and purchase goods and services.

We can no longer afford the luxury of thinking of ourselves simply as rural or urban. We now live in a time of rapid technological and informational change that brings us face to face with a global society.

Baugher described a global society in which accelerated change has an impact on all of us.

1. Change touches every aspect of our lives, including the family.

2. Globally, we become more interdependent. The decisions we make determine the life for future generations.
3. During this time of transition from industrial to an informational era, all students, need to be able to think critically, reflectively, creatively, and ethically.
4. Such thinking is necessary to improve conditions for future generations.
5. Students must be able to support beliefs with adequate evidence and delay decision making until sufficient data and a variety of alternatives are considered.
6. They need to be committed to taking action, both as individuals and as families, to improve the human condition for themselves, their families, and society.

As future citizens, all students will need to function in such rolls as consumers, family members, parents, and employees or employers.

In today's complex world, one of our basis institutions--the family--is faced with monumental problems which puts our nation at risk. Spitze (1984) highlighted the following points:

1. Families are failing to live in harmony.
2. Productivity is low.
3. Pride in work is lacking.
4. Lifestyles such as indulging and smoking, drinking,

overeating, and failing to exercise are creating health problems.

The problems that individuals and families face can be lessened. Consumer and Homemaking Education is the unique component of education which strengthens and improves the quality of life for individuals and families. This is achieved by helping youth and adults gain a better understanding of self and others, especially for a sense of personal worth, so the individual may develop realistic goals and make responsible decisions.

Of particular importance is the youth organization, FHA/HERO, which can be an important aspect of outreach and can facilitate increased attention to rural development.

Vocational student organizations enhance motivation, leadership skills, and the total development of the student in unique setting involving both cooperative and competitive activities.

Research shows that participation in vocational student organizations positively influence future education and career plans and that these experiences develop leadership and entrepreneurial skills.

Some specific examples of how FHA/HERO chapters and members can be vital components of communities can be seen in many rural areas. For instance, at my very own high school our chapter we

conduct yearly fund raisers to help the less fortunate of our area. Christmas toys are donated, along with food, paper goods and quality time. In many parts of the United States, other chapters are joining in to make a difference in the community. "Pak the Pantry", is another example initiated in South Dakota. Members held a telethon to fill a food bank. Over thousands of canned goods were collected.

From the Smith-Hughes Act of 1917, to the founding of Future Homemakers of America in 1945, to present day home economics education we have been committed to helping people use knowledge to improve their lives. The abilility to think critically, work cooperatively and succeed in a global economy suggest several strategies for promoting both rural youth leadership and community development:

1. Use of school facilities beyond the typical school day.
2. Civic/Business/Education Partnership that promote rural communities as desirable places to live.
3. Involvement of youth in community service. Examples, FHA/HERO's - Nutrasweet Giving it 100% community service award, and the FFA's Building Our American Communities.
4. Developing community internships that provide youth with "hands on" education in to political and social service activity of the community.

Some winning strategies include: promoting the development of educational skills at the earliest possible age; encouraging and adolescents to achieve their maxim potential and to complete their education; enhancing the employment prospects of adolescents and their abilities to obtain and retain jobs; and encouraging children and adolescents to become involved in their communities through services and recreation.

As we move rapidly toward the twenty-first century rural residents will have to make major efforts to affect their own destinies. Education can and must play a major part in the success of these strategies. The overriding importance of people-the one resource that rural communities can least afford to lose-must receive major consideration in any program to promote rural development. Today I have addressed some major considerations to enhance youth leadership. I have endeavored to maintain a positive attitude and to share positive examples, however, I must also mention that we cannot afford to neglect the tremendous resource drain that teen pregnancy, dropouts and illiteracy, inadequate health and social programs and poverty and an ever changing family structure are on rural communities.

I believe that youth are proving themselves capable of contributing to their communities and must also be look to in helping solve the problems. As a member of the West Virginia Association Future Homemakers of America, we are committed to doing our share.

Mr. Chairman, and members of the committee, I appreciate this opportunity to appear before you today, and address these issues. I shall be pleased to respond to questions or receive your comments.

GEORGE W. YOST

MANAGER, MARKET RESEARCH AND ECONOMIC DEVELOPMENT

MONONGAHELA POWER COMPANY

Mr. Chairman and members of the SubCommittee, I am George W. Yost, Manager, Market Research and Economic Development for Monongahela Power Company located in Fairmont. We appreciate this opportunity to come before you today to discuss rural economic development. Congressman Staggers, I thank you for your invitation.

We commend the Subcommittee's efforts in wanting to appropriate additional funds for improving rural America. The need is clear. Many rural areas and communities lack adequate public water and sewer systems, or have none at all. Some also lack good housing needed to insure a stable population base. They lack transportation and communication infrastructure to insure linkage of rural communities to the global economy. Rural areas often suffer from a lack of capital needed to locate new industries. In short, rural areas are at a distinct disadvantage when it comes to economic development.

Mr. Chairman, I would like to take a few moments to tell a little about Monongahela Power Company and its efforts in economic development.

Monongahela Power is a rural utility. We provide electrical service to a population of 764,000 in an 11,900 square mile area of Northern West Virginia and Southeastern Ohio. Eighty-two percent of the people within our service area reside in communities with a population less than 20,000. The backbone of

the region's economy lies in rural areas and Monongahela's future is clearly tied to the rural economy.

Monongahela began its development efforts in the 1930s with the creation of an extensive agricultural development program designed to upgrade economic and social conditions in rural areas of Northern West Virginia which were suffering from effects of the Great Depression. The program consisting mainly of a series of farm income producing projects, has been recognized as one of the first utility economic development programs in the United States. The projects were successful and the program has evolved into our Economic Development Department of today. Since that time, Monongahela has attempted to be an active partner in the development of Northern West Virginia.

Our efforts in economic development are wide-ranging and varied and illustrate Monongahela's commitment to rural development. Recognizing the need to have more community leaders involved in and knowledgeable of economic development, Monongahela's economic development staff has conducted a series of three annual seminars for community leaders, beginning in 1985. Approximately four hundred community leaders have attended seminars on Community Preparation, Community Marketing, and Economic Development Financing. Specialized seminars on a variety of subjects have been held for individual communities and groups. With professional developers in only 10 of the 38 counties we serve, Monongahela's staff often is the principal provider of economic development assistance to many rural counties.

Our staff interacts with many groups involved in economic development such as the Governor's Office of Community and Industrial Development, the Ohio Department of Development, regional planning and development councils, development authorities, chambers of commerce, county commissions, cities and towns.

Naturally, our efforts are directed toward the attraction of new industries, the expansion of existing industries, community development, travel and tourism development and development of sites and buildings.

One of our most important goals is the retention and expansion of existing industries. One of the Golden Rules of economic development states that "Industry goes where it is welcome and stays and expands where it is well treated." Statistics show that of new jobs created, 80% come from existing firms. Monongahela's staff regularly visits businesses in our service area to identify and seek help to resolve problems regarding their business.

One of Monongahela's long term strategies has been the attraction and location of new industry. I believe it would be fair to say that to some degree, our department has assisted in the location of the majority of new industries in our service area for the past 50 years.

There is much work yet to be done. Rural areas are diverse and any program to aid development must be equally diverse. New programs should be inclusive and encourage cooperation among federal, state and local entities. Monongahela believes, however, that funds for economic development should be available to

all rural communities and business entities, unrestricted by the historic borrower preference provisions of the Rural Electrification Act.

Accordingly, we believe legislation such as the Rural Partnership Act (S1036) which provides economic development funds only to Rural Electrification Administration (REA) borrowers is not in the best public interest. In West Virginia, we have only one Rural Electric cooperative. This co-op serves approximately 5,000 customers or .5% of the state population. Therefore, 99.5% of the state's population would be exempt from taking advantage of these economic development funds.

We encourage your committee to develop a modern rural economic development policy that is unrelated to the provider of electricity. Such a policy should provide fair and equitable benefits to all taxpayers in rural West Virginia and America. The challenges facing rural development are too pervasive to narrowly focus the solution on only 40% of rural America and only .5% of West Virginia.

Rural development requires a partnership of effort. When establishing a rural economic development program, we believe it is prudent to utilize existing public programs and agencies that have expertise in all aspects of economic and community development. We hope you will include private sector participation in your program.

A sound grass roots rural economic development program should include the expansion of education and technical assistance. The Software Valley

Initiative, for example, has successfully enhanced high-tech development and heightened awareness of computer applications in our state. Business incubators are an exciting new tool in economic development and their location in rural areas would be a tremendous boost to the development of new companies. We have entrepreneurial potential, but need an environment in which to develop it. Incubators can provide the proper environment. We are fortunate to have in West Virginia a state-of-the art telecommunications system -- an electronic highway that can break down the physical barriers which have historically limited development in the state.

In conclusion, Monongahela is proud of its economic development history and its growing partnership with rural West Virginia. We welcome and support creative flexible strategies to develop rural America. We sincerely request that any legislation promulgated includes and considers all of West Virginia.

Mr. Chairman, we appreciate the opportunity to come before you and submit this testimony. We applaud the efforts of this Subcommittee and look forward to working together for the development of rural West Virginia.

GWY/ATS/cl

TESTIMONY OF

Michael L. Cross, General Manager
Harrison Rural Electric Cooperative
Clarksburg, West Virginia

Mr. Chairman and distinguished members of the committee:

My name is Michael Cross. I am General Manager of Harrison Rural Electric, located in Clarksburg, West Virginia. My rural electric system provides electric service to about 5000 members in Harrison, Lewis, Barbour, Upshur, Marion, Taylor and Doddridge Counties in West Virginia. Across our country, rural electric co-ops serve more than 25 million consumers in 46 states. Rural electric lines traverse more than 70 percent of the United States.

Mr. Chairman, rural economic development is crucial to the future of rural America and in particular, West Virginia. Our co-op provides electric service only in rural areas and only serves 300 very small commercial loads in 7 counties. Without rural economic development, our business and our young folks will continue to leave rural areas and West Virginia for urban areas.

Mr. Chairman, water and waste water treatment are just two of the critical components necessary to support rural economic development. I am delighted that you are considering legislation that would enable the formation of state cooperatives or associations that would provide the support for small, locally administered water and waste water treatment associations. The kind of administrative support you are seeking in your proposed legislation is absolutely necessary to help these local systems, whether they are administered independently, or by an entity like a rural electric cooperative.

Just to know what the government regulations and standards are and to comply with them is a challenge for small communities. I speak from experience, Mr. Chairman. I was Vice President for a community water system owned by a rural electric cooperative. I know first hand the problems faced by these systems. In some areas, there are other community water systems that do not test or treat the water they provide.

Water is a key component of infrastructure building that we need in rural areas, and I would encourage you to explore the prospects of encouraging rural electric systems to build and operate these water and waste water systems. Legislation recently passed in the Senate - Senate Bill 1036 - The Rural Partnership Act of 1989 includes a provision for this activity.

This legislation, and other legislation passed in 1987, gives rural electric systems several tools to participate in rural economic development. These programs are relatively inexpensive, and their intent is to leverage federal and local resources in local business development. It helps establish the development of business incubators and revolving loan fund for new or expanding local businesses, housing and other development.

Rural electric systems have traditionally assumed the role of a catalyst in economic development, and have helped create more than one million new jobs since 1960. Rural economic development is a top priority of rural electric systems throughout the nation. Given the tools for our systems to carry out rural economic aide, cooperatives will rise, once again, to the occasion.

Mr. Chairman, as you are aware, West Virginia faces several economic problems, especially in our rural areas. We have substantial amounts of substandard housing, high unemployment and in some areas, entrenched poverty. Unless we begin to confront these problems the situation will only get worse. We need action by Congress that will produce results. We need to build on those problems and institutions that can achieve the objectives of jobs creation, the development of decent, affordable housing and transportation systems, the much-needed improvement in rural health care and rural education. We cannot begin to achieve these objectives without a sound rural infrastructure.

I am sure you are aware, Mr. Chairman, that there are places in our beautiful state where our people can expect to wait a very, very long time to fill a bucket full of water, and even then, they have no assurance that the water is clean and free of pollutants. If your efforts in rural economic development were to achieve nothing more than to enable the development of programs to address this very critical need, it would be legislation well worth its weight in gold.

Harrison Rural Electric Cooperative is a small fish in a very big pond, and by ourselves we cannot accomplish much in terms of economic development. However, with some help from the federal and state and local governments, and with the dedication of our people, we can begin to make some genuine progress in overcoming the obstacles to an improved quality of life in our rural areas.

I am sure that I speak for rural electric systems across the country when I pledge our utmost cooperation and support in your legislative endeavors.

I appreciate very much the opportunity to appear before you today. I will be happy to answer any questions you may have.

Thank you.

Dr. Christine L. Barry
Director, Institute for International
Trade Development
Marshall University
1050 Fourth Avenue
Huntington, West Virginia 25755
(304) 696-6271

September 18, 1989

Rural Development and Transportation

Ladies and Gentlemen, members of the Committee, I would like to thank you for the opportunity to share a few thoughts with you on the issue of transportation and rural development. Considering that West Virginia is entirely a rural state, all economic development here is rural development.

The foundation of rural America consists of 37,000 cities and communities of less than 10,000 in population. Twenty-one of the 435 Congressional districts in the House of Representative qualify as rural. For generations, rural America was characterized as a homogeneous area of open country dotted with small towns and economically dependent on farming, forestry, mining and related industries. Even though there are differences in topography, ethnicity and distances, there is fundamentally very little difference in political, sociological and economic structure. It is a land that embodies conservative politics, close family ties and old fashioned hard work.

During the eighties an economic crisis struck with force in rural America and it necessitated a review of its economic dependence. The impact of the crisis was not uniform in nature, with personal income in some areas remaining stable and in others

declining quickly. It became clear that rural America was no longer the homogeneous society of the past. Furthermore, that the traditional economic solutions of the past might not answer these new and developing economic problems.

The economic future of rural America is closely tied to the success of the goods producing sector. Government policies and individual decisions which affect the capacity of rural areas to be internationally competitive in farming, forestry, manufacturing and mining are vital. The growing need for rural people to rely in the service-producing sector for growth in employment and income is the critical new variable. If rural areas can be competitive in attracting service-producing industries, such as tourism, computing, data processing, nursing and personal care, business services, and high technology based manufacturing industries, then their future is bright.

Regional economists have studied the factors which are important to industrial location for years. Five facts appear to be critical: access to knowledge, access to capital, access to telecommunications, access to transportation and access to a high quality of living environment. For the purposes of this presentation, I will concentrate on the subject of transportation and the rural economy.

Access to high quality transportation systems remains an important industrial location variable. In recent years proximity to interstate highways and airline facilities has grown in importance. The nearly completed interstate have reached

directly into many rural areas. Yet in states such as West Virginia, there still exists the need for substantial highway development. There are still many area within the state that are inaccessible due to poor roads and infrastructure. The geography and topography of West Virginia makes the construction of new roads and bridges a very expensive proposition.

Two critical transportation matters will influence the development prospects of more remote rural areas. First, is the level of commitment to the maintenance of the related public infrastructure. Interstate highways including bridges and important access roads are deteriorating rapidly. Enough years have passed to make rebuilding or replacement a necessity. The cost is high. If the commitment is not made, rural areas will become progressively remote. The same can be said of air travel infrastructure. Second, the issue of deregulation of the airlines, aimed at returning the industry to a more, free-market oriented economy has had a stark effect on most rural areas. Specifically, it has resulted in fewer flights for rural areas. This has signaled a need for new and innovative solutions for transportation issues.

During 1989, the West Virginia Legislature requested a study concerning the feasibility of linking West Virginia's water, rail, air and highway systems by intermodal ports to increase tourism, domestic and international trade from my colleague Dr. Edward Neumann and myself. The study ultimately resulted in the creation of the West Virginia Port Authority. The study

suggested that the state of West Virginia must look to new opportunities to expand and diversify its economy and the general welfare and well being of its people. Furthermore, that if West Virginia is to keep and attract industry, it must provide for a modern and efficient transportation infrastructure that will allow and facilitate business to compete on a regional, national and international basis.

The West Virginia Port Authority consists of a Board of Directors and is located within the West Virginia Department of Transportation. The bill encourages the development of local inland port authority districts and that these districts should make the greatest efforts to encourage the establishment of facilities to enhance the efficiency and cost of the movement of goods and services to and from markets in West Virginia. Additionally, to encourage the construction and completion of infrastructure projects, including all types of transportation systems.

The statute went in effect on July 1, 1989 and we are still in the preliminary stages of the start-up of the Port Authority. Yet in close cooperation with the West Virginia Department of Transportation, I have had the occasion to become involved in one of the more innovative concepts in rural transportation development ever to appear. That is the creation of Wayports and the legislation recently introduced in Congress.

At the annual meeting of the National Conference of State Legislature, Samuel Skinner, Secretary of Transportation said

that "state and local governments will determine the future of infrastructure and therefore, where the major movers and shakers will be. The nation must cope with enormous growth in demand for transportation if it is to maintain its competitive edge with the rest of the world. Paying for needed improvements in the nation's infrastructure of highways and airports will require new approaches."

As the national economy grows, so will the demand for transportation services and transportation related products. Higher levels of economic activity will mean more jobs, more goods to be shipped, higher incomes, and greater demand for travel. Even under a slow growth forecast, America's need for transportation services is likely to continue expanding. Expressed in 1982 dollars, the United States participation in international trade has increased from $387 billion in 1970 to $721 billion in 1980 and $985 billion in 1989. Continuation of this trend will affect the total demand for freight transportation and alter the pattern of commodity movements. Higher incomes, growth in the active elderly population, and global interdependence will also generate greater demand for international leisure and business travel. Americans will become even more mobile, as government estimates place airline travel growth at about 5 percent. Growth in both leisure and business travel will fuel congestion and higher levels of delay.

One of the more innovative proposals being investigated is the creation of Wayports. A "Wayport" means an airport used

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primarily as a location at which passengers and cargo may be transferred between connecting flights of air carriers engaged in air commerce. Jim Sheppard, Manager at the Federal Aviation Administration (FAA) in Orlando, Florida was the initial supporter of this concept. He envisioned wayports being built in isolated areas, away from the congested skies over big cities. The fastest, cheapest way to unclog delays that plague airports is to build isolated transfer hubs in rural areas. These remote wayports would make it unnecessary for millions of passengers to pass through crowded urban airports to change planes, drastically cutting traffic at places such as O'Hare Airport in Chicago or Hartsfield Airport in Atlanta. Sheppard said "everybody is on the way somewhere else. All of those passengers and freight could be changing planes more swiftly and more efficiently at new remote airports designed expressly for that purpose."

I would encourage all members of Congress to support the concept and legislation. At the moment, together with the West Virginia Department of Transportation, I am exploring the feasibility of West Virginia being considered as a future potential site for a wayport. Specifically, our activities include a study on the concept of the wayport and future national conference on the topic. It is a unique window of opportunity for rural areas, beyond the 2,500 to 5,000 potential jobs that it could create, it could open an entire new manufacturing industry on site of the wayport. There are no limitations to the future job creation possibility of the wayport. The most recent

information, that I have received concerns the fact that a amendment was placed in the Department of Transportation appropriations bill, directing the FAA to study the issues of wayports. At this time, the FAA has taken no official position on the concept. It is very important that independent research be initiated concerning this issue and that all dimensions be fully explored. The Wayport concept could be a major catalyst for rural economies and I hope that the members of this committee will consider monitoring the activities of this opportunity. Thank you.

(Additional material is held in the committee files.)
(Attachments follow:)

WEEKLY ITINERARY, OCTOBER 23--27, 1989, RESEARCH AND ECONOMIC DEVELOPMENT CENTER

NAME	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
Dr. Robert Barnett	Afternoon/ 3:00 Meet.@ C. O. Ed.	Afternoon/ 2:00 Campus	Afternoon	Afternoon	Afternoon
Dr. Christine Barry	Office	Office	Marion Co. Chamber of Commerce	Office	Office (W) 363-0442
Ms. Crista Berry	Morgantown	Morgantown	Office	Office	Office
Ms. Jeanie Budrus	Work@home	2:30-5:30 Office	Work@home	1:30-5:30 Office	Work@home 429-6459
Ms. Diane Coe	COE meet/ Office	COE&Civic Ctr/ Office	Office	9AM Meet/ Office	Office
Mr. Ron Crutcher	Dayton Office. (513) 449-4700 Ext 7142/222-3753				
Mr. Will Edwards	Office	Office	Office	Office	Beckley
Mr. Larry Kyle	Office	Office	Office	Office	Office
Dr. Lawrence C. Llorens	Afternoon Here or Library all week	Afternoon	Afternoon	Afternoon	Afternoon Mornings #2779 Library #2320
Mr. David A. Logston	Office	Office	Office	Office	Office
Ms. Jennifer Moran	Office	Home	Office	Home	Home 529-2012
Mr. Jeff Sawyers	Office	Office	Office	Office	Office
Dr. Richard C. Smoot	Afternoon	Afternoon	Afternoon	Afternoon	Afternoon
Ms. Elaine Whitely/Hayslett	Office	Office	Office	Office	Office

* Barry Packhard	Off	12-4:30	1-5	12-4:30	8-11:30/1-4:30
* Pam Hamilton		AL	AL		
* Crista Berry			5:30 Class		
* Ramona Nash			3:30 Class		
* Annette Blake	Annual Leave	AL	AL	AL	AL

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WEEKLY ITINERARY, OCTOBER 23--27, 1989, RESEARCH AND ECONOMIC DEVELOPMENT CENTER

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Mr. Jeff Sawyers	Office	Office	Office	Office	Office
Dr. Richard C. Smoot	Afternoon	Afternoon	Afternoon	Afternoon	Afternoon
Ms. Elaine Whitely/Hayslett	Office	Office	Office	Office	Office

* Carrie Pankhurst	Off	12-4:30	1-5	12-4:30	8-11:30/1-4:30	
* Pam Hamilton		AL	AL			
* Crista Berry			3:30 Class			
* Ramona Nash			3:30 Class			
* Annette Blake	Annu. Leave	AL	AL	AL	AL	

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MARSHALL UNIVERSITY
SCHOOL OF MEDICINE
Department of Family and Community Health
Division of Clinical Nutrition
Huntington, West Virginia 25755-9420
304/696-7039

UNITED STATES HOUSE OF REPRESENTATIVES

Montgomery, West Virginia
September 18, 1989

HEARING ON RURAL DEVELOPMENT

Presentation on Health Care by:

E. BOWIE KAHLE Ph.D., DIRECTOR
DIVISION OF CLINICAL NUTRITION
DEPARTMENT OF FAMILY & COMMUNITY HEALTH
MARSHALL UNIVERSITY SCHOOL OF MEDICINE
HUNTINGTON, WEST VIRGINIA 25755

West Virginians are dying at a younger age compared to citizens of other regions. Additionally large numbers of West Virginians are plagued by chronically poor health and require medical and financial assistance at ages younger than citizens in many other states.

Many of these health problems could be solved by simple changes in life style. Changes in diet may be chief among these solutions.

POOR NUTRITION AND THE HEALTH OF WEST VIRGINIANS

Immediate investigations are needed to determine the extent and nature of malnutrition and to provide a basic understanding of links between poor nutrition and the pathophysiology of the most prevalent disease conditions among West Virginians and surrounding Appalachian residents. The death rate in West Virginia due to heart disease, cerebrovascular disease and diabetes is much higher the the national average; dental problems are acute in all age groups; and the number of obese citizens per capita is higher than in any other state. Each of these medical problems can be linked to dietary habits and suboptimal nutrition. The rural elderly and children in West Virginia are most susceptible among these people to imbalances in protein-calorie nutrition and to boaderline deficiencies in key vitamins and minerals. At present nutritional management is fragmented due to incomplete assessment of the patient population and to a lack of standardization in assessment and reporting. The pathophysiology of many diseases including diabetes, atherosclerosis and obesity have suggested links to poor nutrition. However, direct evidence for nutrition as a major causal factor is not well understood.

Our rugged, mountainous geography magnifies nutrition problems of certain age groups and physiological states, particularly the elderly. Many rural West Virginians have limited access to refrigeration and no fresh food supplies. Many do not have either gas or electricity for cooking and lack running water. A recent report from the U.S. House of Representatives Select Hunger Committee emphasizes the extent of poverty-related hunger in West Virginia. With income for one in five persons at or below the poverty level the nutrition status in West Virginia is highly correlated with poverty. The poverty rate is 22.3% compared with the national average of 13.6%. Poverty is especially evident in the rural areas of the state which includes 45 of the 55 counties in West Virginia.

Because we do not fully understand the extent or nature of malnutrition among West Virginians, first, we must accurately define the problem before we can provide effective treatment. Biochemical evidence for nutrient imbalances, both deficiencies and excesses, are not exhaustively documented. However, suboptimal levels of vitamin A levels are suspect in more than 60% of pregnant or lactating women, infants, and elderly. Borderline vitamin C deficiencies are suggested in the majority of low income families. Low calcium and B vitamin complex deficiencies are prevalent in adolescents under 16 years old, especially those who replace milk with soft drinks. Anemia due to iron deficiency may occur in 25% of all mothers and young children; approximately 70% of pregnant and lactating mothers may be anemic.

The abnormally high incidence of obesity and atherosclerosis among West Virginians suggest that blood cholesterol patterns are imbalanced and present at excessive levels. Obese West Virginians are more likely to exhibit abnormally high levels of blood glucose and poor glucose tolerance. This may be related both to excessive calorie consumption including high sugar-containing foods and to poorer utilization of all carbohydrates.

Since World War II the American and West Virginian diet has evolved with the increasing popularity of pre-packaged foods and fast food restaurants. Our diet caters heavily to the highly palatable tastes of sweets, salts, oils and fats. Although documentation is fragmented and generalized, several reports suggest that West Virginians are among the highest American consumers of these substances. We rank among the highest consumers in the nation of soft drinks and other products with refined sugars. The high incidence of poverty plus traditional mountain heritage emphasizes the consumption of salt-processed pork and pork sausages, primarily bologna. These food preferences contribute significantly to our status as high level consumers of animal fats and salt. Dietary habits in West Virginia's mining regions in particular include excessive consumption of animal fats, salt and sugar in luncheon meats, soft drinks and packaged sweets, such as the well-publicized "Moon Pie".

**Documentation in support of this commentary is available on request.

IMPACT OF MALNUTRITION ON THE COMMUNITY AND ITS ECONOMY

Malnutrition can impact on almost every aspect of the lives of these individuals: work performance, education and learning abilities, development of criminal tendencies, and the full range of problems in clinical medicine. People without adequate diets are immuno-suppressed and are more subject to infectious diseases. Once injured, they are less able to heal. Other complicating factors include the high incidence of alcohol and tobacco abuse in rural West Virginia. Both abuses contribute to malnutrition and subsequently lead to clinical problems.

The consequences of inadequate diet ultimately places additional burdens on the economy of West Virginia. The sum of these factors presents a negative drain on the economy of the state. The general health and productivity of the work force is jeopardized; a factor that lowers the general tax base. Poor health among the work force and general population contributes to higher insurance rates and to higher health care costs. These factors are exemplified by higher costs for the care of the elderly, especially due to earlier confinement in nursing home facilities than might be required if these citizens were properly nourished. Poor health among the unemployed must be treated without renumeration. "I don't work...I can't eat...I get sick...you pay for my treatment!

MARSHALL UNIVERSITY RESEARCH GOALS TO IMPROVE THE HEALTH OF WEST VIRGINIANS THROUGH CLINICAL AND BASIC NUTRITION RESEARCH

Among its efforts to improve the health of West Virginians, Marshall University is developing a Center for Nutrition Research. The Center, housed in the Department of Family and Community Health (FCH), encourages proposals for original research that will include practical and experimental approaches to investigate nutrition as a causative factor for health problems prevalent among West Virginians.

A major component of the Center is an analytical laboratory for biochemical and physiological studies encompassing nutrition research. The research emphasis is being placed on applied human studies, but animal studies will also be conducted to supplement the human data. The section will identify and investigate problems of special relevance to West Virginians and other Appalachian citizens. A second component of the Center is a field nutrition section designed to interact with subjects participating in nutritional assessment and other protocols. The field section, based in the FCH rural health clinic network, will implement diet and behavorial changes designed to improve nutritional status. The center will recommend ways to deliver changes in nutrition in a cost-effective and culturally acceptable manner.

Research approaches in areas of clinical survey studies including nutritional assessment and basic nutrition research are available on request.

Major nutrition research topics of direct significnace to West Virginians and others in Central Appalachia that will be investigated by the Center include:

1. Geriatric malnutrition
2. Nutrition in diabetes
3. Nutrition in cardiovascular diseases
4. Maternal/child, teen pregnancy, and infant nutrition

Cooperative research efforts are being proposed between Marshall University investigators and appropriate units in federal government and state government. Compatible research interests are currently being explored with The USDA Beltsville Human Nutrition Center. Investigators at Beltsville in areas of dietary carbohydrate and lipid consumption, energy utilization, and vitamin and mineral availability are especially interested in our population of human subjects and nutrition research directions. A reasonable projection for these endeavors is that rural West Virginians may become a model population for new research advancements in the areas of obesity, atherosclerosis and non-insulin dependent diabetes.

At this point our level of funding is not sufficient to support the full range of research that we feel is necessary to provide solutions to this region's malnutrition. However, we have begun to institute clinical nutrition research projects in one selected age group, the elderly. These efforts will receive partial analytical support from the Human Nutrition Center, USDA-Beltsville.

PROGRAM IMPACT AND BENEFITS OF THE NUTRITION RESEARCH CENTER

Research methods and efforts will be directed toward reducing the medical cost of malnutrition, thus reducing costs to the State of West Virginia. Such research methods and efforts can be applied as desired to other geographical areas. Patients who cannot afford adequate nutrition certainly cannot afford the medical cost associated with malnutrition.

The target area to be served is southern West Virginia. Health benefits and goals of the Center include, but are not limited to reducing state expenditures and taxpayer support for health care resulting from sub-optimal nutrition such as early confinement of the elderly to nursing facilities, and for the loss of productive time by the work force due to illness.

FEASIBILITY

Marshall University is in a particularly strong position at this time to provide the region and the state with the necessary research and training in nutrition. Our personnel resources are especially highlighted by a strong, nutrition-conscious faculty. The educational curriculum for Marshall University medical students and medical residents is oriented toward preventive and therapeutic medicine. Finally, we have primary emphasis in large segments of the medical school program on health of the rural and the poor citizens of our central Appalachian state. This is supported by an extensive network of rural health clinics thoughout the region.

The Farm Credit System

West Virginia
Farm Credit, ACA
ADMINISTRATIVE OFFICE
P.O. Box 2404
I-79 (Exit 115) W.VA. Route 20
Clarksburg, West Virginia 26302-2404
Telephone: (304) 624-5553

October 6, 1989

The Honorable Harley O. Staggers
1504 Longworth House Office Building
Washington, DC 20515

Attn: Sam Morgan

I am sorry I was unable to attend the hearing you held in West Virginia last month. I would, however, like to provide you with my statement on rural development.

As I mentioned to you on the telephone, Farm Credit would like to be a part of any rural development bill, and we feel that we can help you accomplish your goals without using a lot of federal dollars.

If you have any questions concerning any part of this statement, please feel free to contact me. If I happen to be in the Washington area in the next few months, I would like to set up an appointment to discuss rural development with you.

Sincerely,

John C. Gray
President

bsc

attachment

cc: Reider Bennett-White

DRAFT STATEMENT ON RURAL DEVELOPMENT

Mr. Chairman, I am pleased to have this opportunity to present this to you.

American agriculture is just now rebounding from the industry's darkest economic period since the 1930's. So too are many of the country's agricultural lenders, including the Farm Credit System.

In the early 1980's, large numbers of agricultural producers were hit by a sudden downturn in the agricultural and rural economy. This downturn put tremendous stress on the financial resources of American farmers and their lenders. Farm land values which peaked in 1982 declined by as much as 60% in some parts of the country and approximately 20% in the State of West Virginia. Export markets declined through most of the early 80's. Lost export markets helped create over supply situations that helped depress commodity prices during the first half of the 1980's. In this environment, farmers found it increasingly difficult to generate sufficient income to service record high levels of farm debt. Not surprisingly, the depression facing American agriculture spread quickly into other sectors of the agricultural economy including those financial institutions which lend money to agriculture and rural America. You know what happened as a result: 69 commercial agricultural banks failed in 1985, another 66 in 1986 and still another 75 failed in 1987. The Farm Credit System lost $2.7 billion an 1985, and another $1.0 billion in 1986. Thousands of families lost their farms and their livelihoods.

Fortunately, agriculture appears to be on the mend. The 1985 Farm Bill, and a healthier economy has helped turn things around. Agriculture has regained some lost export markets and the Farm Bill has helped protect farm income over the past several years. Since the agricultural credit markets mirror the agricultural economy, we are now beginning to see improvements there also.

Michael Boehlje and Glenn Pederson in a recent article point out that the agricultural financial crisis on the 1980's demonstrates the risk associated with agricultural's traditional narrow financial base. In the coming years, this lack of diversity on the part of traditional lenders to agriculture, that is the Farm Credit System and community banks, will be further exacerbated by structural changes now occurring in agriculture. Currently there are approximately 2.2 million farms in the United STates. Of this 2.2 million, only 600,000 of these farms can be considered as full-time farms. Within this 600,000 full-time farms, there is an even smaller number of large commercial farms producing about 80% of our domestic food supply. In West Virginia there is a total of 17,237 farms according to the latest census; down from 68,583 farms in 1954. Of these 17,000 farms only 13.7% had gross income above $10,000. If farm sector conditions continue to improve as they are forecast to do, the farm lending sector will become increasingly competitive. Large commercial farms will demand a mix of fixed and variable loans, flexible loan terms and will increasingly seek

innovation and flexibility in tailored financing packages. Conversely, innovation and flexibility will be much less important for small part-time farmers but they will demand convenience and lending products tailored to their more constant income flows. Market share of farm debt will shift in favor of lenders who can effectively segment the market, provide tailored packages of debt, equity and lease capital and manage delivery cost effectively. New competitors in the agricultural credit market are likely to be agribusiness supply and marketing firms, which will increase their financing of agricultural production and processing, and international financial institutions such as RaboBank and Credit Agricole. The establishment of Farmer Mac, the secondary market for farm mortgage loans, also will bring additional competition into this market. These new competitors will concentrate their efforts in the major agricultural centers of this country while states like West Virginia will probably see fewer farms and fewer institutions willing to finance the few remaining farms.

The point I am trying to make is that we don't have a credit availability problem in the agriculturally concentrated parts of this country, but there are still many areas where credit availability for the few remaining farms is slowly disappearing.

In addition to the credit availability problem for agriculture in certain areas of the country, there are other segments of the economy in rural America that we as lenders and other private organizations and the government need to be aware of.

Most of the time when we think of rural America we think of it in terms of 2.2 million farms that produce food and fiber for this nation and for export to other countries. What we tend not to think about is that 85% of all rural people are not farmers. Of the 55 counties in West Virginia, only a very few could be considered as not being rural. To this segment of our population rural development means the availability of more off-farm jobs and access to goods and services to the same extent that they are available to our non-rural populations. People moving into West Virginia are demanding this access to the same goods and services that are available in urban areas, but are unwilling to move into the rural areas that are unable to provide these services. Due to this lack of services population in rural areas is declining.

The government attempted to address the problems of rural America in the decade from 1955 to 1965. Following a 1954 rural development message from President Eisenhower, there was established as a provision of the Appropriations Act of 1955, a 1955 Rural Development Program. The program's primary purpose was to include states and counties in the federal government's rural development efforts. Between 1955 and 1960, the program coordinated by the extension service, established approximately 2,000 projects in rural areas. They ranged from programs to improve farms to those geared to bring industry into economically depressed ares.

In 1961, the 1955 Rural Development Program was supplemented by the 1961 Rural Area Development Program. The 1961 program was administered by the Area Redeveloped Administration. The primary source of funds for the 1961 program came through the Small Business Administration. Unfortunately, most of the monies available for the Rural Area Development Program were used in what has been called a "long round of developing comprehensive development plans." Most of the development plans that were originated dealt with the prospect of bringing either recreational or tourist activities to rural America. The 1961 program was actually patterned after a rather successful program operated by the Pennsylvania state government which was used to help revitalize the Wilkes-Barre/Scranton area.

The next rural development program attempted by the federal government was the 1962 Land Conservation and Rural Renewal Program. The purpose of the 1962 program was to take idle farm land and turn it to other uses. Again, the focus was on recreational type activities and loans were made for such purposes as the construction of golf courses and tourist camps. An interesting concept in this program, however, was the involvement of the Soil Conservation Service in that any of the allowable purposes were also supposed to relieve some of the soil erosion problems in rural America.

A common theme in the 1955, 1961, and 1962 programs was the retaining of farmers to guide them to non-farm vocations and to create new job opportunities in rural America. Because of the massive potential retraining costs and those associated with job creations, which government was reluctant to bear, and the absence of substantial existing non-farming job opportunities in rural America, these programs were only minimally successful.

It wasn't until August of 1972 that major rural development legislation was again enacted by the Congress. This was the Rural Development Act of 1972. As enacted, the Rural Development Act of 1972 was designed to attack both the infrastructure and employment problems of rural America. It was in many respects a codification of the 1955, 1961, and 1962 programs.

Unfortunately, early attempts to deal with the Federal budget deficit and the lack of commitment to rural development during the decade of the 70's and into the early 80's meant that the authorities available to government in the Rural Development Act of 1972 were parcelled out to rural America in a piece-meal fashion rather than in a truly coordinated fashion. Because agriculture was in an expansion cycle during the 1970's there was perceived to be little need for any rural development effort on the part of government. It was assumed in many quarters that prosperity on the farm would automatically bring prosperity to the non-farming sector of rural America. That was true in some, but not all instances.

Because of our continuing and growing concern about the Federal budget deficit it will not be possible to enact rural development

legislation if the federal price tag is too high. Unlike 1972, I believe any rural development legislation should be in the nature of a federal/private partnership. I don't think it is reasonable for private enterprise to be expected to deal unilaterally with the infrastructure problems of rural America. However, there might be instances in which the private sector could support the federal government efforts. If the federal government would agree to take a lead role on the rural infrastructure problem, institutions like the Farm Credit System and others would be willing to work to attract off farm employment activities to rural America. Since the Farm Credit System already operates in virtually every county in the United States, we have the delivery system, resources and people in place to help with the revitalization of rural America. The adequacy of credit in rural areas will continue to be a major concern because as rural populations continue to grow there will be an increased need for credit for construction, consumer good and services, and rural businesses.

Specifically, I would submit to you that the Farm Credit System could be of help to rural America in the areas of (a) expanded rural housing financing; (b) community development financing; and (c) rural businesses financing.

Throughout its 73 year history, the Farm Credit System has been important to rural America. We have been a conduit for capital from the nation's money markets to rural areas. A close look at the history of the Farm Credit System shows that it was chartered by Congress to serve rural America and its credit needs year in and year out, in both good times and bad. The farmer-owned associations and banks of the Farm Credit System have served, and will continue to serve, as <u>the dependable source</u> of credit to rural America. It is precisely because of our historical commitment to the financing of rural America that we now think it appropriate to offer ourselves to the Congress and rural America as part of the public/private partnership being developed to aid in the revitalization of our rural areas.

The Farm Credit System can support the sound economic development of rural America. The following are some of the strengths which the System can bring to this process.

A long established track record in meeting the highly diverse, complex financial needs of farm cooperative and utility lending. System institutions are the only lenders to exclusively serve rural America;

Experience in financing rural home loans;

Skilled loan officers and appraisers who understand the factors that affect success of rural businesses; and

A credit delivery system that is second to none in rural America

This delivery system is currently in place and staffed with credit professionals and experts who could provide the technical and financial assistance to meet an even larger demand in rural America.

While we examine ways in which the Farm Credit System can effectively assist and stimulate rural economic development, we will not jeopardize any of the existing services to current customers. We believe, rather, that lending to a broader base of customers will help diversify the System's loan portfolio and thereby strengthen each System institution's ability to withstand the inherent cyclical economic problems of agriculture. To the extent that the Farm Credit System can help strengthen the rural economy in general, agriculture will ultimately reap the rewards. Expanded eligibility will allow Farm Credit to remain in areas where farm numbers are dwindling and thus profitability is decreasing.

In addition to broadening the base of our eligible customers, we would also ask that there be undertaken a careful review of the current limitations on the System's existing authorities to meet future needs in rural America. I would direct your attention to the attachment to my statement which highlights some of these issues.

With that, I will conclude my statement by stating that no other institution has a greater stake or is in a better position to assist in carrying out a new policy for the development of rural America than the Farm Credit System. We stand ready to help and I appreciate the opportunity in letting me present this to you today.

CURRENT LIMITATIONS OF PRESENT FARM CREDIT SYSTEM
AUTHORITIES TO ASSIST RURAL DEVELOPMENT AFFAIRS

The population limit for rural home lending is inconsistent with the FmHA definition of rural areas being towns or villages not exceeding 20,000 population.

The current Farm Credit limit that a town or village cannot exceed 2500 persons is much too narrow, and inconsistent with other Federal definitions of rural areas. There are many West Virginia towns exceeding 2500 in population, but are definitely rural in nature and would benefit from the additional availability of credit.

Fifteen percent limitation for rural home lending restricts rural home development.

The fifteen percent limitation on institutions' portfolio lending for rural homes should be increased or eliminated. This limitation represents an unnecessary constraint on the availability of credit for rural home purchasers who want dependable lenders that can provide a constant source of financing.

The twenty percent through-put requirement on basic processing and marketing loans restricts the System's ability to finance related operations essential to current borrowers.

Under present authority, a farmer who receives System financing for processing or marketing enterprises must grow at least 20 percent of the product. This is an arbitrary standard, and not realistic in view of the rapid changes taking place in processing and marketing. Many times System institutions have been put in the position of helping a farmer to get started in business, but then having to end a positive lending relationship because of this arbitrary standard. In West Virginia, there have recently been several examples where positive lending relationships have been established, but due to expansion and diversification of their business they have become ineligible for Farm Credit funding. In one example, a borrower reorganized his business in order to make it eligible for Farm Credit financing. West Virginia has examples of farmers starting feed businesses, or customers in the timber business expanding into the manufacturing of wood products and not being eligible for Farm Credit financing. The State of West Virginia could benefit from the additional financing Farm Credit could offer, if the twenty percent through-put requirement on basic processing was eliminated. Expansion in these industries would provide much needed jobs in the rural areas of West Virginia. In other areas of the country there are examples of processing operations which may not get credit because the operations are not supported, in part, by growing/harvesting activities. In the State of Maine, for example, there are a number of wood processing and manufacturing facilities which cannot be financed because they do not meet the harvesting or growing requirement. Nonetheless, these

are businesses which could benefit from the financing alternatives which competition among lenders brings, and that is of critical importance to the success of current Farm Credit System borrowers in their own operations.

Eliminate reference to "on-farm" for related businesses.

System institutions are authorized to lend to agriculture-related businesses, but only to the extent that the business is conducted "on-farm". This limits financing for many agricultural service operations. For example, a Farm Credit association is currently evaluating a forestry equipment sales/service company which has requested a line of credit. The service segment of the business is eligible under the farm-related business guidelines, but this accounts for only a small percentage of the company's total sales. There are several people in West Virginia where business expansion into machinery sales have been limited due to credit not being readily available.

For the borrower, his/her financing alternatives are limited because of the inability of the System to fully compete because of the current limitation.

Authorize System institutions to do rural community infrastructure lending.

Many rural communities have credit needs that can no longer be met under Federal programs, but are also not large enough to attract the interest of investment bankers. If authorized to do so, System institutions could assist in financing rural community development projects including wastewater treatment facilities, water treatment systems, community health centers, community fire departments, etc., and with the addition of Federal guarantees, other communities could be helped.

If present lending limitations were eliminated, Farm Credit could be instrumental in assisting Congress in its efforts to address the problems of rural development in this country.

H.R. 3581, REVIEW OF RURAL ECONOMIC DEVELOPMENT ACT OF 1989

WEDNESDAY, NOVEMBER 8, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION,
CREDIT, AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 1300, Longworth House Office Building, Hon. Glenn English (chairman of the subcommittee) presiding.

Present: Representatives Penny, Stallings, Nagle, Harris, Staggers, Espy, Long, Coleman, Morrison, Gunderson, Combest, Grandy, and Holloway.

Also present: Representative E (Kika) de la Garza, chairman of the committee, and Representatives Huckaby and Campbell, members of the committee.

Staff present: Daniel E. Brinza, counsel; Fred J. Clark, associate counsel; Joseph Muldoon, assistant counsel; William E. O'Conner, Jr., assistant minority staff director; Glenda L. Temple, clerk; Bill Cherry, James E. McDonald, James A. Davis, and David Ebersole.

OPENING STATEMENT OF HON. GLENN ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. ENGLISH. The subcommittee will come to order. This morning we hold a hearing with regard to H.R. 3581, which deals with the subject of rural development. Let me say that with regard to this legislation it was developed in a rather unusual way in that we heard from the people who wanted to testify, who wanted to have input before the legislation was drafted. That is rather unique. But we felt that rural development is critical. It is very important that we make some adjustments and changes.

For instance in the last 10 years it is estimated that we have had a loss of some 5 million people in rural America. That is roughly 10 percent of the 1980 population. Obviously one of the critical points has to be the issue of jobs. If we do not have jobs in rural America, people cannot live in rural America. If we do not have growth in rural America, it is unlikely we are going to have jobs.

So it is all interdependent and the issue of rural development as we look toward the 1990's and beyond has to depend heavily on the fact that people have to be able to make a living out there. They have to have an opportunity to live out there. And all of the other

elements that go into rural development have to take that into consideration. It is a fact of life.

Let me also say that as we look at the reality of the past 10 years, as we look at the loss of 10 percent of the population we had in 1980, I think that we also have to recognize that what we have in existence today—the legislation in effect today—is not getting the job done. Those figures underscore that over and over again. We also have to recognize that we are dealing with shrinking resources so far as the Federal Government is concerned.

For instance, the B and I Program in 1980 had roughly $1 billion that could be loaned out. Today we are down to roughly $95 million. So the resources that are available have been shrunk considerably. Also when we had more money available in these programs and really throughout the history, we have had pretty much a scatter-gun approach to rural development. We have had programs that have not worked in concert, that have not really supported each other, that have not really assisted in achieving some overall objective. And one of the things that I think is rather obvious is that with shrinking resources, that is no longer a luxury that we can afford.

We have to find a way of making certain that these programs do work together, that they interrelate, that they complement each other, and that the impact they have is one that is maximized to the degree possible because of the limited dollars and likely shrinking amount of funds for the future.

As I said the witnesses that we had before us, some 240 witnesses from the first of June through the middle of September, these hearings were held as I think most of you know, not only here in Washington, but we had six regional hearings scattered around the country. The one point that was brought home time and time again is the different regions of the country have different needs. They have different ideas. They have different focuses.

As the programs are set out now, the funds that are appropriated are allocated to the States by the Department of Agriculture and they are done by category. And we find that in some of these categories in different States are our funds will be gone within a relatively short period of time. Other categories, we find that there is not as much demand. There is not as much of a need. And what underscores, I think, is the fact that we have in some areas of the country, some programs where the demands are very heavy; in other areas, there will be other programs where the demands are heavy.

But it also means that in those programs which do not have a heavy demand, it also means that in those areas, those resources are not being spent on the top priority items, the top needs of those areas. And in some cases, in many States, in fact, will have money that may be turned back to the Federal Government and may go elsewhere around the country.

In hearing from those witnesses, particularly from the regional hearings, the one point that kept being brought home is the fact that they need some flexibility. They need some flexibility to meet the needs in their particular region. They need some flexibility to meet the problems that occur in their particular State. And they are finding it very very difficult to maximize the use of each of

those scarce dollars that are available to have a positive impact as far as rural development.

So that is pretty much how this legislation came about. It was actually drafted by the people we heard from, along with the members of this subcommittee. We had a number of bills, a number of ideas that the members of this subcommittee have had and many of those ideas have been incorporated in this legislation. But generally speaking, I think, most people find that this legislation is different. It is unusual. There is no question about it. Some even may go so far to say, it is revolutionary. And its approach, I think, is far, far different than anything we have seen in the past.

That in itself makes a lot of people nervous. It makes a lot of folks nervous, and we have already heard a little bit about that. People thinking, "Well sure we need to do better. We need to have a bigger impact. We need to be more effective with the dollars we have, but my goodness, if you are going to change things—I am very comfortable the way things are right now. And I am not sure that if we change things, exactly how it is going to turn out."

There is a reluctance on some interest groups. They do not like the idea that they might have to compete within a State. They do not like the idea that they may have to, in fact, have their program evaluated in the light of what is best for a particular State, where the most impact can take place. It gets into a case of justification. I understand that that makes some people uneasy.

As it stands now, they do not have to do much justification, in all candor. The money is allocated for one specific program, regardless of whether that money is needed for that area or not. It is allocated out there. That is the way it is, and it cannot be used for any other purpose. What we are advocating here is going to require prioritization. It is going to require justification. It is going to require each State to take into consideration what they think they need to do to have the greatest impact and the most positive impact. And I think that that is new; it is different. And as I said, it certainly makes some people uncomfortable. But the fact of the matter is with the scarce resources we have, if we are going to have growth in the future, we have to make some changes. And the last 10 years is certainly the best evidence that what we have been doing has not worked well.

Let me also say that with that, I think, that many of those programs that we have had, certainly the overall impact it is likely to have nationally as far as the amount of resources that would be needed in a given area, I sincerely doubt that that would change a great deal. I think you would see heavy use of one program in one area, heavy use of another program in another area, but nationally we are probably talking about just about being a wash. I think the Appropriations Committee has done a pretty fair job in gauging the amount of resources and the allocation across this country in the various programs, and I think it would just about come out to that.

So with that, we are delighted that in effect our last witness in testifying on the rural development bill that is being put together

will be from the administration, and we are happy to have him. But first of all, I want to hear from members of the subcommittee on any comments that they might have. I want to turn to the cosponsor of the legislation and ranking minority member, Mr. Coleman.

[H.R. 3581 appears at the conclusion of the hearing; the prepared statement of Mr. English follows:]

Opening Statement

CHAIRMAN GLENN ENGLISH

Conservation, Credit, and Rural Development Subcommittee
November 8, 1989

In the early days of summer, this Subcommittee began its search for solutions to the economic problems facing rural America. We knew that what we have been doing is not working because we can all see that rural communities in our districts are dying. People are not moving away because they don't like living in rural America--they're moving because they can't make a living in rural America.

I decided that the Subcommittee should ask as many people as possible for their ideas--and we did. Over the course of the summer and into September we heard from 240 witnesses in Washington and in six regional hearings. What we learned is that the people who live in rural areas, the people who are most affected by rural development programs, want a stronger vote in determining their own destiny.

We were told that in some States, the Farmers Home State Director doesn't like a particular program and won't approve applications so the money goes to other States. And we were told the opposite--some Farmers Home State Directors will grab every dollar in sight so they can approve as many applications as possible.

We were told that the solutions one State needs are different from solutions another State needs. We were told that the strait jacket imposed by the way the Federal government funds programs makes it very difficult to target those programs.

We were told one thing we already knew. It is difficult to obtain more money--public or private-- for investment in growth for rural America.

Given what we learned from our witnesses and from more than a dozen bills referred to our Subcommittee, Tom Coleman and I began to fashion the bill we are considering today. We started with an understanding that there is not apt to be any large increase in federal funding to be invested in rural America--it might be possible to pick up two or three hundred million dollars from time to time, but billions are needed.

So we decided to fashion a new delivery system that will allow the people who live in rural America the flexibility to use the current programs in the most efficient manner. That is the core of this bill--a new delivery system that requires local

planning and statewide setting of priorities based on criteria that will foster growth.

This approach has created a good deal of controversy from organizations which feel threatened.

For instance, some organizations which are involved in improving the infrastructure want to continue what they have been doing without any thought about whether the people being served will be able to continue living in rural America. They are opposing the idea of letting the people in a State decide for themselves what is needed.

Other organizations are telling us that what we are proposing will not work and we need to stick with the tried and true. Some of these same organizations were telling us during the hearings that things needed to be changed.

I look forward to hearing today from the one organization that we did not invite to our earlier hearings--the executive branch of the Federal government.

Mr. ENGLISH. Now, Mr. Coleman.

OPENING STATEMENT OF HON. E. THOMAS COLEMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. COLEMAN. Thank you, Mr. Chairman. First of all, let me say for the record that the development of this rural development initiative that we have here is one which is how Congress ought to operate on an issue which has no partisan boundaries, Glenn English and I, in a very bipartisan fashion have put together a bill which I think speaks to the needs of rural communities in this country. Complete cooperation between our staffs and ourselves have brought forth a bill which both of us are very proud to be sponsoring.

The fact of the matter is, it is a nontraditional approach. It is the only approach I think that is going to get us off of the dime to start doing something constructive. Nontraditional in a sense that it goes beyond the usual method of status quo of continuing programs that may or may not be functioning correctly. We wanted to take an approach which was going to dramatically make an impact and create the type of strategy and blueprint necessary to revitalize our rural community.

So this is a bold bill. And whenever you do something new or different, it does attract attention and perhaps there are some people who feel that they would rather stay with the status quo. But the status quo is not doing a sufficient job. We need to do something different. People need to understand that we have tried to incorporate all of the suggestions, all of the philosophies that we have heard about. I think that we have done a very good job and I am delighted to be supporting this proposal as it goes forward.

We do not take the view that the Federal Government has all of the answers, and frankly, that might be part of the problem we currently have. We want to move and shift some of this decision-making power to the local and State level where we can find a real input of what communities need. But not to have them unnecessarily compete with each other when they do need some of these limited Federal resources.

All of us on this panel have seen towns, maybe 30 miles away from each other, spend their resources, spend their talent on trying to compete with each other in attracting business and creating new job opportunities. We want to, in the thrust of this legislation, attempt to have a cooperative effort by counties and communities to put their resources together, working with the State, working with the Federal departments in order to best accomplish what all of us want to see take place.

The bill does reorganize the Department of Agriculture, and I am delighted to see Mr. Vautour here and welcome his comments because we think that we want to get the maximum benefit from every Federal dollar that is spent. And that the efficiency and traditional agricultural programs are going to be recognized and improved by allowing the growing rural development functions to take place within a reorganized Department of Agriculture.

The flexible funding program on the State level that the chairman mentioned is extremely important. How should we dictate

what are the needs of local communities or the regions within a State? Many times they are third and fourth priority, but because money has run out on one program, they then go ahead and propose a fourth or fifth priority because the funds are there. How important it would be if we could establish those priorities to really provide the priority system instead of just funds available. So the flexible funding mechanism is an extremely important part of it.

We want to plug in traditional land-grant institutions and other nonprofit organizations on technology transfers which to me is an exciting part of our proposal that will indeed bridge those geographic gaps and isolationism that we have had in rural areas in the past. With high technology we can remove those barriers, those distances and locations will no longer be meaningful.

So, Mr. Chairman, I stand firm with you in suggesting that we have a good bill—one which may not please everyone, but one which I think is a bold initiative necessary to get something done. I am looking forward to having the administration testify today.

And I must say that Mr. Vautour, as a well-known advocate of rural America, his actions within the administration, both in the past administration and this one, speak for themselves. I am very happy that Roland Vautour is in the position that he is in, because I know in his heart he cares like we do about the future of rural America, and I look forward to his testimony here this morning. Thank you, Mr. Chairman.

[The prepared statement of Mr. Coleman follows:]

STATEMENT OF E. THOMAS COLEMAN
Subcommittee on Conservation, Credit and Rural Development
Committee on Agriculture

November 8, 1989

Mr. Chairman, I appreciate your scheduling this hearing today and enthusiastically support the Subcommittee's reporting this bill to the full Committee early next week. We have held many hearings, heard from hundreds of witnesses, and deliberated at great length over what should be contained in rural development legislation. I have been working for more than three years for such a bill. I think it is time for us to act, and with this bill we will be taking the bold but necessary steps to focus the federal role in the economic development of our nation's rural areas.

This bill goes beyond just improving current programs. It will make available to rural communities the modern technology, current information and technical assistance they need to plan for a secure future. Our approach avoids the mistaken view that the federal government has all the answers while recognizing that it has an important role in providing local and state leaders the tools they need to create economic diversity in their communities. With this bill we make the federal government a willing partner, not a big brother, to local rural development leaders.

The Rural Economic Development Act of 1989 has a number of significant provisions but here I want to mention several of the most important ones.

First, the bill reorganizes the Department of Agriculture

to improve the efficiency of both its traditional agricultural programs and its growing rural development functions. It will focus those functions by placing them in a Rural Development Administration designed to get the maximum benefi from every federal dollar invested in rural community programs. The reorganization will benefit all rural Americans including the farmers and producers who will continue to have their strong voice in the Department while seeing improved assistance to their own rural communities.

Second, the bill makes important changes in the delivery of critical development-related programs that will be shifted to the new Rural Development Administration. The most important change will allow the Secretary of Agriculture to transfer funds from some existing programs into others so that local and State leaders can be more flexible in meeting local economic development priorities. The bill also promotes State and local cooperation to encourage regional planning so that neighboring communities are working together not competing for precious development dollars.

Third, the bill will make available competitive grants to nonprofit institutions such as land grant colleges and universities, to help finance Rural Technology Centers for development of new high-technology products, processes and marketing techniques tailored for production in rural communities. Just as waterways, railroads, and highways were

critical to the growth of our nation in the past, technology will fuel growth in the future. Through computer science, electronics and fiber optics, rural areas can be brought fully into the mainstream of American business, commerce and education. Technology will greatly reduce or eliminate the barriers of distance and location that have handicapped rural communities in the past. I have often cited the example of Citicorp's moving its entire credit card operation from New York to South Dakota. This was made possible by the kind of applied technology this bill will promote in rural communities across America.

In closing, Mr. Chairman, I am pleased that Undersecretary Vautour is here today to give us the Administration's views on rural development and on our bill. Certainly it is my hope that the Administration will join with us in shaping this legislation that is so critical to the future of the nation's rural communities.

Mr. ENGLISH. Mr. Morrison.

OPENING STATEMENT OF HON. SID MORRISON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. MORRISON. Thank you, Mr. Chairman. I just want to add my voice to reflect in great respect the package that you and Mr. Coleman have put together after a lot of work. I agree with you this is the way legislation should be fashioned and look forward to the reactions to it. As I have discussed with you, Mr. Chairman, since you started this effort, some of us in the Pacific Northwest have been shocked in our forest timber-dependent communities by the spotted owl issue. We sense its coming to other parts of the United States, as well. And I am working with the U.S. Forest Service. We are almost ready with some additions to the bill that we think you will support.

We will bring them to you before markup, and essentially adding a slightly different program, but the same concept, the same communities, the quality of life deserves to be preserved in this country. And we think your basic bill is an excellent opportunity for us to express the same thing on behalf of communities that have a slightly different problem, but still a part of rural America.

Mr. ENGLISH. Thank you, Mr. Morrison. Mr. Grandy.

OPENING STATEMENT OF HON. FRED GRANDY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. GRANDY. Thank you, Mr. Chairman. I have no prepared opening statement. I just want to say that I am in general agreement with you and Mr. Coleman on this legislation. I know how hard you have worked. I know how much data you have assembled to prepare what I think is definitely a revolutionary approach to a problem. I guess my one concern is if we are talking about the money from this bill coming from inflationary increases and there are no inflationary increases, I think, perhaps at some point we will need Mr. Darman to testify in front of this committee, as well, to just find out where this money is coming from.

I do not mean to be a curmudgeon in that issue, but at some point we will have to figure out where the money will come from, if it indeed will not come from what used to be the automatic inflationary increase every year in our budgetary outlay. But having said that, the shape and formulas in the bill, I concur with and commend the chairman and Mr. Coleman. Thank you.

Mr. ENGLISH. Let me say, for the record, that with regard to inflationary increases earlier this year, the Budget Committee did, in fact, make available increases in the rural development area. There was a good deal of discussion earlier this year—about $300 million in budget authority, some $100 million plus in budget outlay. As it has turned out those funds were the inflationary increases, the agreements that were reached between the administration and leaders in both parties here in Congress. So that is basically the money that is there.

This legislation is designed to deal with whatever resources are available. The Appropriations Committees of the House and Senate have already really allocated the resources that are available

under that inflationary increase. So I think that needs to be recognized, that all the money that is available, whether it be under the Senate bill or this legislation or under the Appropriations bills is basically last year's funding, plus the inflationary increase. So that is the reality that we are dealing with for funding. I appreciate your bringing that to our attention, Mr. Grandy. I think it is a good point.

Also, we have Mr. Huckaby who has joined us. He is not a member of this subcommittee, but we are very happy to have you. Excuse me, Mr. Huckaby, before that Mr. Stallings, a member of the subcommittee has come in.

OPENING STATEMENT OF HON. RICHARD H. STALLINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. STALLINGS. Thank you, Mr. Chairman. I would just like to make a couple of brief comments. I am very pleased with the work from you and Mr. Coleman on this legislation. The structure of the bill very closely resembles feelings that were expressed at a field hearing this subcommittee held at Blackfoot, Idaho, in August. The rank order review structure and standards the chairman used in this bill is largely based on information provided him by the Idaho Department of Commerce; director, Jim Harkins.

Mr. Chairman, so that you know what I am doing in conjunction with this legislation, I will soon introduce to the world the Economic Development Education Partnership Act, which I hope we will be able to add to this rural development legislation, your rural development legislation, when we go to the floor. One of the largest investments of public tax dollars in rural communities is its public schools. The importance of rural schools to the life of the community is not limited to education. The school is often the centerpiece of the community's identity.

In order to maximize benefits from the financial and sociological investment in rural schools the existing school structure should be encouraged to participate in meeting the economic development of its community. In order to accomplish this goal, the Federal Government should foster partnerships between the rural school systems, regional educational laboratories, and institutions of higher education for the benefit of the economy and residence of rural communities.

My plan at this point is to work with you very closely in this legislation to see if we can add this education component when we go to the floor. I think it is vitally important that we tie our schools into this rural development. I appreciate what you and Mr. Coleman have done and look forward to working with you.

Mr. ENGLISH. Thank you very much. Mr. Holloway is a member of the subcommittee. Mr. Holloway.

Mr. HOLLOWAY. Thank you, Mr. Chairman. I have a question for the Under Secretary, and I, of course——

Mr. ENGLISH. We might wait until the Under Secretary has testified. I just wondered if you had any opening statement that you would care to add?

Mr. HOLLOWAY. I am way ahead of time. No opening statement. I had a hearing down in my district on rural development with the

Under Secretary, and I had a very good hearing. We appreciate him very much coming to Louisiana to hear the needs of the people there.

Mr. ENGLISH. Thank you very much. Mr. Huckaby, the distinguished subcommittee chairman has joined us. Mr. Huckaby.

OPENING STATEMENT OF HON. JERRY HUCKABY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. HUCKABY. Thank you, Mr. Chairman. I appreciate the opportunity to sit and hear the testimony. I want to commend you and Mr. Coleman for an extraordinarily unique piece of legislation to come before the Agriculture Committee. It is not often that we see legislation that will significantly change the way we are doing something and I think change it to the better. And I want to commend both of you and the members of this subcommittee for the work that has gone into getting the legislation to this point. I suspect there is some fine-tuning that we need to do, possibly some constitutional problems, but I think most of all I want to commend the Department for their ability to change, to make significant changes, and the changes that I think and hope will be better for all of rural America. I think we are on the threshold of legislation that could make a difference.

Thank you, Mr. Chairman

Mr. ENGLISH. Thank you very much, Mr. Huckaby. I appreciate that. I am happy to have the opportunity to introduce to the subcommittee Hon. Roland R. Vautour who is the Under Secretary for Small Community and Rural Development of the Department of Agriculture.

Mr. Vautour has been very kind in assisting us in answering any questions that we might have with regard to the workings of the Department of Agriculture and has also generally been supportive of change. And, Mr. Huckaby, I think, has a good point, we do not often see folks who are willing to make some changes in their shop, and I appreciate the positive attitude that you have had, Mr. Vautour, and want to commend you for that.

As is the case with any new approach, there will be, as Mr. Huckaby pointed out, some adjustments and fine-tuning, and Mr. Vautour and I talked last night with regard to some of the items that are in his testimony, and which I do not think there is much question that we will be able to adjust and take care of. And we will be looking forward to working closely with him and worrying about the language adjustments that may have to be made to satisfy the attorneys.

With that, Mr. Under Secretary, we want to welcome you here this morning and thanks for coming.

STATEMENT OF ROLAND R. VAUTOUR, UNDER SECRETARY, SMALL COMMUNITY AND RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE

Mr. VAUTOUR. Thanks, Mr. Chairman and good morning. Good morning Mr. Coleman and members of the subcommittee. Thank you for this opportunity to present the views of the Department of

Agriculture on rural development and the legislation now before this subcommittee.

Rural development is an economic issue. At the heart of this issue lies the need to foster new economic activity in the Nation's rural areas—activity that will provide two of the most important tools needed to revitalize rural America—jobs and income.

In recent years, nearly 400,000 people have left rural America annually. In large measure they left for economic reasons. They left in search of opportunity. They left in search of advancement and they left for jobs. And generally speaking, those that left were the best and the brightest. Twenty-seven percent of the Nation's population resides in rural areas. Only 3 percent derives its livelihood from agriculture, production agriculture. Nearly 60 percent of the Nation's farm families need or have off-farm jobs.

What should we conclude from these figures? I believe the conclusion is self-evident; there is a critical need to diversify America's rural economy. And the motivation is not to artificially keep people in rural America. The motivation is this—a strong and healthy rural economy will enhance America's ability to compete in the global market.

The Nation needs the productive capacity of all rural Americans to compete, not just those involved in production agriculture.

Rural economic development is a local process that finds answers to local problems. More importantly, it is a process to recognize and take advantage of local opportunity.

A central and indispensable part of any economic development effort is strong, committed and active local leadership. Leadership with the desire and ability to marshall the human and physical resources of the community around a cohesive effort to achieve economic growth and diversification.

This is happening today in many parts of rural America and, almost categorically, the successful efforts share the common denominator of strong leaders spearheading local initiatives.

We have learned much from these successes, and I believe, we have much more to learn from these local leaders. In fact, these people should be considered a valuable existing resource that can be called upon to help others.

To be sure, there are people and places that need the help of government—Federal, State, and local—in the economic development processes. Government cannot, however, mandate or control economic development, rural or urban. Rural economic development has to be a cooperative effort, with many players, including the relevant government entities as well as private, nonprofit, and volunteer sectors.

This brings me to what I believe to be the appropriate role of government in the economic development process. Namely, that government can and should provide support and assistance to local efforts and initiatives. Efforts and initiatives by the way that it is designed to promote and foster economic activity that ultimately create jobs and income. The character and level of Federal involvement and assistance must, however, be determined by respective local initiatives and needs.

In this context there are a number of things the Federal Government provides already, including: Information and technical assist-

ance; education and training; assistance in the development and enhancement and maintenance of essential infrastructure, such as roads, bridges, water, sewage, airports, hospitals and what all. Where necessary, the Federal Government can help fund these kind of efforts, as well as provide capital for business start-up and expansion that create and/or retain jobs.

The Federal Government cannot and should not be expected to unilaterally solve the problems of rural America. Federal efforts must be substantially augmented with help from State and local governments and the private sector.

Mr. Chairman, before I comment on the House legislation before us, I would like to suggest some simple criteria with which to review the proposed actions of Congress and the Federal Government relative to rural economic development.

The actions we take should promote the creation of jobs and incomes for rural Americans. They should serve to streamline the bureaucracy and facilitate the delivery of rural development resources and assistance. They should be efficient, cost effective, and not create duplicative organizations and services. The actions should seek to establish flexible and user-friendly services that are mindful of the end-user. And finally, the actions should not negatively impact the Federal budget by adding to the deficit.

Mr. Chairman and members of the committee, the administration supports in concept the majority of the rural development related provisions contained in the proposed legislation before us. We acknowledge and support the need to restructure our existing organization to enhance and facilitate the delivery of the rural development resources. And, in fact, we have been working on this concept, among others, for several months. We endorse the establishment of a rural development administration within the Department of Agriculture.

I look forward to working with Congress to fashion a plan that will fulfill the spirit and intent of the legislation in an administratively sound manner. I would stress again, that the reorganization plan must strive to streamline the delivery of resources to rural America and it must be efficient and cost effective.

With regard to title II, which calls for the local prioritization of project funding, we believe there is considerable merit to State and local participation in the determination of where rural development resources go. However, the process outlined appears to be cumbersome and complex, and we would like to see a more meaningful Federal role in the ranking procedure.

Furthermore, I am compelled to inform the subcommittee that the Department of Justice has informed us that in their view, granting the "Rural Economic Development Review Panel" the authority to make determinations that are binding on the Secretary would be unconstitutional, because the members of the panel would not be appointed in accordance with the appointments clause of the Constitution.

The Department supports the concept of local determination and will work with your subcommittee, Mr. Chairman, to develop an acceptable alternative.

One other point, we strongly maintain that the final decision on credit and project feasibility must rest solely with the Secretary of Agriculture in the case of USDA programs.

I am certain we can develop a process that will facilitate the delivery of rural development resources to rural America while ensuring the proper level of involvement from Federal, State, and local governments, as well as other relevant organizations.

Finally, with regard to title II, we have some concerns about language implying that potential borrowers will be excluded entirely from program participation unless they go through the proposed "Rural Economic Development Review Panel" process. However, I again am confident that we can find common ground on this issue and still be able to recognize and honor the need for greater local determination of resource direction. The Department is committed to work with this subcommittee and the Congress to address this issue.

With regard to title VII, the telephone and electric portion of the bill, the Department opposes essentially all of the provisions. We can provide a more detailed assessment later, however, after preliminary review, we believe title VII has little to do with rural economic development and the creation of jobs and would substantially increase budget costs and the deficit if enacted. As presently written, title VII will jeopardize passage of this bill, which I believe can be a landmark piece of legislation.

Another point which I feel merits comment is the matter of rural electric cooperatives being allowed to defer payment on loans from the Rural Electrification Administration as a means of encouraging the cooperatives to invest in local economic development activities. The Department opposes this provision. We believe this provision to be unnecessary and would establish an unfortunate and costly precedent.

Currently, the 1,000-plus rural electric cooperatives can invest up to 15 percent of their respective total utility plant-worth in other, nonelectric business ventures, and I would hope those ventures would be rural development oriented. This can be done without the advice or consent of the Federal Government. Nationwide this amounts to nearly $7 billion available immediately for investment in rural development projects. The rural electric cooperatives have a major stake in rural economic development. I encourage them to invest boldly and wisely. Economic growth and diversification in rural America will broaden their customer-base and strengthen their operations. Rural development will help to ensure the financial viability of the Nation's rural electric cooperatives.

Finally, Mr. Chairman I would like to spend a few moments to offer a status report on rural economic development activities and efforts underway within the Department of Agriculture and throughout the Federal Government.

Secretary Yeutter has presented to the President the final report and recommendations of the Economic Policy Working Group on Rural Development. While I cannot provide specifics at this time, I can say that the spirit of the working group's recommendations is consistent with the spirit of your proposed legislation. We believe the announcement of a Presidential rural economic development initiative is imminent.

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Mr. Chairman, I know you are aware of the ongoing efforts within the Department of Agriculture with regard to rural development. Earlier this year, Secretary Yeutter created within the Department a revitalization task force to take a close look at USDA's rural development related programs and activities. Secretary Yeutter asked the task force to offer recommendations on how to improve the performance and delivery of rural development resources.

As a result of the task force's work and recommendations, I am pleased to announce the following actions that will be taken by the Secretary and the Department:

The Secretary will appoint, in the near future, an Assistant Under Secretary for Small Community and Rural Development to oversee and coordinate the Department's rural economic development initiatives and programs.

Secretary Yeutter has charged Deputy Secretary Jack Parnell to Chair the Department's Policy Coordinating Council. This sub-Cabinet level council will establish and coordinate a USDA rural economic development policy. There will be a subworking group level of that group devoted entirely to rural development.

A USDA Rural Development Mission Statement will be created as part of the process to establish the new Rural Development Administration.

The other actions to be taken on the task force's recommendations will be outlined in the Department's annual rural development strategy report to Congress, and I hope to deliver that report early, by the way, to the Congress before the end of this year.

In closing I want to emphasize the Department's commitment to rural America and to rural economic development. We support the concepts being advanced by this legislation and stand ready to work with the committee to draft a bill that the Secretary and the President can support.

Thank you for this opportunity to testify. I will be happy to try to answer any of the questions that you may have.

[The prepared statement of Mr. Vautour appears at the conclusion of the hearing.]

Mr. ENGLISH. Thank you, Mr. Secretary. I am very pleased to have the chairman of the full committee join us today. Mr. Chairman, do you have any comments that you would care to make?

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. Thank you very much, Mr. Chairman. Let me add my welcome and appreciation to Secretary Vautour. I apologize for my delay in getting here. You mentioned budget implications and I have been dealing with this most of this morning. This committee has been very responsible. We have met every year the budget figure given to us by the Budget Committee. We reduced expenditures over $30 billion since 1981. If you have not noticed, it's because we have done it with a scalpel rather than a meat ax approach. We will continue to be responsible. We have set our priorities and this is one of the high priorities.

I very much appreciate your spirit of cooperation and your willingness, and that of the administration and the Secretary and the Department, to work with the subcommittee and then our committee in the areas where we have differences or a different approach. This is something that needs to be done and this subcommittee and the chairman of the subcommittee have worked very diligently and have gone indepth. There are areas that we might need to look at closer. But your assessment that rural America needs support and assistance from the Government, I concur with very, very wholeheartedly.

You know farmers and farm workers, they are really people of many talents. If you go out back of a farmer's house, those that still live out there on the farm, and look at his shed you will see he is an electrician; he is a plumber; he is a welder; he is a mechanic; he is a weather man. We can avail ourselves of those talents in the lean years. Back in my area, there is a fellow that sells everything. He goes and finds what is loose or what is cheap and he goes around and peddles it, and he does fairly well at it.

The last several years they have dismantled ships. They take the bulk heads and the steel that was being sold to Mexico and many other countries. When Mexico had its economic problems and that market closed, this friend of mine would take those sheets of steel of all different kind of sizes and he went around the countryside and was selling them to farmers because they were making their own parts for a tractor or for a reaper. They were making their own parts. So we need to garner all of that talent and energy and try and keep it there in rural America.

Mr. Chairman, I will be very brief here, we need coordination and some degree of assistance. There is a book written by a Professor Burke from Harvard, "Job Creation in America," and I wish all Members of Congress would read it because it shows everything that we are doing wrong.

Did you know that 80 percent of American corporations hired 20 or less people. Yet we are out there chasing the big automobile factories. They need guidance and how to prioritize. I know there is some difference of opinion about who will set the priority and how. But it can be done. They now have councils of government where all the projects in a given area come to the council of government and they set up priority, and that is being done now.

You cannot just let them pump money. If they put a sign that says "Industrial Park" it can be 20 acres or 40 or 200 acres. But by and large no one comes because they are out chasing the 1,000 employee-type corporations. The same for high tech. Put a sign "High Tech, Silicone Valley." Half of the people that go into that operation do not remain. It is costly. I think what the chairman is thinking about and what the committee is thinking about is that we need, without adding to the budget, to take available funds, such as the $7 million for a high tech center next to Iowa State that nobody came to, and aim it in the proper direction and make jobs.

If you live out in rural America that should make you no less of an American. The grandmother out there should have access to a telephone to call her grandchildren the same as someone living in the city. She should have access to electric power and have maybe

a washing machine, the same as someone living in the city. She and her husband should have access to a road to take them out to the big city.

Someone has to pick up the garbage in rural America. If they do not pick up the garbage in New York City for 2 days we send in the National Guard or call in the Army.

We should share in the bounty and we should be treated as equals and not be treated different because you live out there in rural America. I sense your willingness to cooperate. I appreciate it. I think working with you and with the Deputy Secretary Parnell and Secretary Yeutter and this subcommittee, I think we can get what we are aiming for.

Are we getting into the banking business? Of course not. But no bank in my area makes wastewater and sewer loans. And education. We have to see that youngsters do not have to leave rural America for a competent education. We will not get too much into that, but with a subdepartment or an agency for rural development within the Department of Agriculture, of which I share your optimism and approval, we would have it. I think that can be a first step.

I thank you, Mr. Chairman, and I thank you, Mr. Secretary.

Mr. ENGLISH. Thank you, Mr. Chairman. I appreciate it very much. With regard to that budget item, Mr. Secretary, I think that—and that title VII you were mentioning—we do have the Congressional Budget Office looking at a number of those items. We too, of course, want to make sure that if anything comes up this bill does meet the budget requirements. We had reason to believe from the Congressional Budget Office at one or two earlier rulings that they had made on it, a couple of the items may not have been correct, so they have agreed to reevaluate and those are being included for that reason. We might disagree a little bit about—I think it would have a little more impact on rural development. Perhaps you would. We may disagree a little bit there.

The other thing is the constitutional question. The attorneys that drafted the section here tried to draft the language in such a way that we would not have those problems. We will get together with your attorneys at USDA and the Justice Department and with our lawyers and work the language out so that we can eliminate that problem. I think any time we get into a new concept like that, we are going to have to do a little adjusting, and that is to be recognized and we certainly expected that. We appreciate the Justice Department going over that and reviewing it for us. We do want to make sure that everything is in good shape in that area.

As far as excluding borrowers from going through the panel process, I think that that gets down to the point that we would fully expect that every community would want to participate in the program. But as you well know, the objective is that if a community does not really have a plan, if they do not have a direction, if they really do not have any growth in mind, it is kind of hard to help them if they do not want to help themselves. And that is really what I think the concept is down to.

I know that a lot of communities already have plans. A lot of States now are requiring plans for assistance from the States, and I think that we want to encourage that as much as we can. I do not

think that it is asking too much that a community, if they are going to receive assistance, that they be able to lay out some plan as to where they are going and how this assistance or request fits in, rather than just simply because they decide.

I think, too, that you would agree that the resources as they are being allocated out now is more on the first come first serve basis, regardless of whether it is going to have any impact or not or whether the community has any desire for much of a future growth. And that is what I want to encourage these communities to grow, to plan ahead, and to have something in mind.

Mr. VAUTOUR. Mr. Chairman, may I make an observation?

Mr. ENGLISH. Sure.

Mr. VAUTOUR. My comments were made hopefully in a positive sense. We agree totally that with the limited resources we have, we are going to have to target those resources to those areas that can use them, that will be successful, and that will, in fact, accomplish this. The reason for mentioning it and if I am a little bit gun shy, but we were looking at it in terms of possible lawsuits that might bog down the program in total, if somebody were totally and absolutely excluded. And it was only offered in that vain.

Mr. ENGLISH. Very good, I appreciate that and we will adjust the language so that we take care of any concerns that there might be with regard to lawsuits. I think we can probably do that. If there is a problem in that area, we will be happy to work on it.

Let me also say though that with regard to the process itself, I think that what is critical with regard to this legislation—of course one of the things that makes it unique—is that it does bring in all the entities that have a responsibility and a role to play as far as role development. Not just the Federal but also with regard to local government, with regard to State government, with regard to those people in those organizations that, and particularly those organizations that must play a role of first to be successful, and hopefully by requiring them to come together, to sit down together and to review, not only the plans, but also the applications that that will in itself encourage and target much more the entire rural development effort.

We need to underscore one other aspect and that has to do with that we think that there are going to be severe water and sewer health problems in the future as EPA comes down with target guidelines. This legislation now for the first time does bring the farm credit systems, banks for cooperatives which in effect provides unlimited funding for small rural communities for water and sewer needs.

We have also, and I think this needs to be underscored, though any health problem, any health requirement, health emergency that automatically is the top priority with regard to any of these projects. And I think that needs to be understood.

Mr. VAUTOUR. That was a point I was going to make an observation on, but I am glad that you are bringing that up. At the present time that is the way it is. Human health takes absolute top priority.

Mr. ENGLISH. I think that is the way it should be. Thank you, Mr. Secretary. Mr. Coleman.

Mr. COLEMAN. Mr. Secretary, I want to thank you for your positive approach in your comments this morning. I am encouraged with your spirit of cooperation. And I think by providing opportunities for us to continue to work together, to put the finishing touches and some of the technical issues that you brought to our attention that with that spirit of cooperation, we will be able to accomplish something, I think, very good.

I want to also point out that we have provided the Extension Service some additional duties in this bill. I think the Extension Service is a very important part of the Department of Agriculture's apparatus. Many times they kind of go unheralded, but in my area in particular that I am familiar with, they have been in the forefront of providing services to these communities. And many times doing it on an ad hoc fashion. And we have given them some assistance and some direction through the years, but we want to give them even more explicit authority. So when it comes time for budgets, we also recognize that it takes resources. We are giving them the opportunity to provide leadership, forums in rural communities which I think is extremely important in training, as well as efforts to try to provide entrepreneurship information.

It all goes to the thrust of what you were so rightfully stating is that rural America needs to diversify its economy. And I think this is a very significant way that we can do that. I think the fact that you are taking it upon yourself the reorganizations structure and your support for the rural development administration will give a focus on development activities in the Department. That is what we are trying to accomplish by this legislation which I know you are trying to accomplish through effective reorganization.

Again I want to thank you for your positive comments. We want to work with you. I am encouraged that the administration is so supportive of this bill and would point out that to my knowledge this type of support is unique because other bills and other thrusts and other approaches have not pursued this type of enthusiasm and I welcome it. I think it is well intentioned and it is well deserved. So, thank you.

Mr. VAUTOUR. Thank you.

Mr. ENGLISH. Mr. Penny.

Mr. PENNY. Thank you, Mr. Chairman. I agree with your analysis that the Federal involvement ought to be geared toward job creation. Clearly, however, we have limited resources to deal with the creation of jobs in rural America. I was pleased to see you endorse and embrace the authority that rural electrics now have to finance rural development projects. I am curious to hear from you what other ideas or proposals you might have for bringing more capital into rural areas and leveraging money that is available from the REA's with other money to make rural enterprises happen?

Mr. VAUTOUR. Earlier on, I believe the chairman mentioned or maybe it was Mr. Coleman, mentioned that there are communities 30 miles apart that are competing against one another, oftentimes futilely I would add. And the need for those communities to perhaps regionalize a little bit and this gets back again to the matter of ranking at the local level. It is a roundabout way of answering your question, Mr. Penny, but essentially what it means is that if these communities group together around acknowledged trading

centers, transportation centers, information centers—if you will—they in pulling their resources can come up with a broader base of financial resources and financial backing to get the job done.

I am also delighted to hear the chairman say that perhaps we are making a big mistake if we are encouraging our people out there to be going after the IBM's and Wang's and General Electric's of this world because many of these communities just cannot support that kind of thing. I would use the illustration of Broken Bow, Nebraska. I happen to know that because I was out there doing a rural development town meeting. They raised about $45,000 locally of their own money in a high risk investment-type loan.

One enterprising young man there had heard that Burlington Northern Railroad had run some fiber-optics telephone lines through there, and he decided—he guessed—he could telemarket to the east coast or the west coast equally from Broken Bow. He got a $5,000 loan from this group and started out with two people. That was in 1985. Today he is employing 50 people and going strong.

So to answer your question, we can provide a modicum of some capital. We can provide it and use it as leveraging to get out more private funds. But in the final analysis, high risk startup venture capital has to be private. It should not and ought not to be Federal.

Mr. PENNY. I do not have a big quarrel with that because I think your better investment is going to be made if you have some private banker or other financial expert involved in that decision. One of our problems with Farmers Home direct loans is that you basically get kids straight out of college making these loans. By the time they learn how to do it, they are hired by the private sector and it has left us with an awful lot of bad debt in the Farmers Home Administration.

So I do not want to see the Government too directly involved in this loan business. But we clearly have to see some additional investment capital in rural America or we are not going to see any jobs. I also have some concerns about what kind of investment we make.

I do not think it makes a lot of sense for us to be supporting retail ventures. It ought to be industrial and processing and ventures of that nature. The reason I raise that concern is that there is a limited retail market in a small community. And if you put a K-Mart in a big town 10 miles away, it is going to shut down the hardware store and some of the other retail establishments in a small town because there is only so much of a market in that county. We ought to be concerned about industrial and processing firms if we are going to get involved in any kind of assistance or leveraging of this money.

But that means we have to find some things that we can process out in the rural areas. That gets to research. There is a need in my judgment to provide more research in new products based on farm commodities. I would hope that your Department would be strongly supportive of increased research funding. And then a follow-on to that is how we tie our loans and our financial assistance for businesses that will take that research and try to pursue some kind of commercialization of that product. And I know that there is some interest in your Department in supporting that kind of legislation,

although you have not worked out the bugs yet. But because I have a bill designed to do the same thing, I am hoping that at some point we can get together on that and make that a part of this package.

Any reaction or comments you might have, I would appreciate.

Mr. ENGLISH. Mr. Combest.

Mr. COMBEST. Thank you, Mr. Chairman. I, too, want to commend without making any opening statements. I think there are a lot of opportunities here and I think you begin to see the opportunities as people who have been involved and have done a good job for a number of years. We have had various different—almost factions out there working in something to try to bring these groups together. I think it is important once we see that some of them begin to feel threatened. Excuse me, I wonder if maybe this does not show we are generally on the right track.

I think there are some concerns of some things happening that are justified and I think we need to be cautious as we move forward to make for certain that someone who has been doing a good job, even though it may be very segmented in dealing with certain problems in rural America, is not just all of a sudden left behind. But that we incorporate and use the experiences that they have had in helping in an overall package.

I also like the tone that continues forward. I have always been a supporter of rural development. When I think that many times when we talk about rural development, we talk about it in terms of what can we do to go outside and get something else and bring it in? What new business can we attract? Certainly that is a very significant part of it.

But because of the figures that the chairman had mentioned earlier, I think it reemphasizes in many of these small rural towns that we have to also do what we can under any type of initiative program to help those businesses that have been a backbone of that community forever—those people who have been there and who have been the foundation, and not automatically go outside and bring in someone who may be a competitor of theirs.

Maybe someone who has been given a specific advantage because of some treatment under rural development package, but that we also do everything that we can to help in the expansion and the growth in those businesses and small companies that have been the backbone of rural communities for all of these years. And I hope we put as much emphasis on what we can do to help them, whether it be financial or through some of the utilities that are necessary, the public works' projects, as we do to new businesses.

In having had an opportunity to see both the House and the Senate approach, are you in a position to make a comparison between the two and which would the administration seem to favor?

Mr. VAUTOUR. Of course, I did not come here prepared to discuss 1036; is that the number? Senate bill, however, as a general overall impression, the Senate version was using a fragmented approach, a little bit of something for everybody with no focal point, no focus and—at least in my judgment—no sense of direction which I think this bill gives you. This bill, in my judgment anyway, is taking what has been fragmented out in the Department of Agriculture and bringing it back under one roof, if you will, using the vehicle

or the medium of the Rural Development Administration. But bringing all of the rural development functions under one administration or one agency, if you want to call it that, and giving it some direction. I did not see that in the Senate bill, but I do see it in this one.

Mr. COMBEST. The statement has been made, Mr. Secretary, that in fact quite strongly that one of the concerns of individuals who are interested in the rural water associations which have been very active, is that the bill terminates in effect the Farmers Home Administration Rural Water and Sewer and Grant and Loan Program. In your opinion does it go that far? Does it do that? Does it terminate in effect what we now know as the Rural Water and Sewer Grant and Loan Program?

Mr. VAUTOUR. I do not see it as terminating it. I see it as moving it from the aegis of Farmers Home Administration's supervision to the aegis of the Rural Development Administration's supervision. I would not see any change in the function. Maybe I am reading something into it that I do not see, but I do not see a change in function. I do not see a change in program direction. I think it is more likely to be a rural development loaning program, for instance, than Farmer loans or Rural Housing. But no, I certainly do not see it has a termination of that program. At least I certainly hope that is not the case.

Mr. ENGLISH. Would the gentleman yield?

Mr. COMBEST. Certainly.

Mr. ENGLISH. I am not sure where that kind of an impression would come from. In fact, it is very possible in this legislation they would end up with more money, rather than less. It all comes down to, it depends upon the particular State and I suppose if in a particular State you have a situation in which the people in that State, people involved in rural development in that State, including rural water people, REC's, the Governor, counties, township, all those folks get together, and if they decide in that particular State that that is not a high priority item or if they decide, "gosh the job is done here and we have different needs," then they would have the ability to shift the resources over.

I know in a lot of the States that I went to I found the opposite to be true, I heard a lot of people, not just people in the water and sewer business, but folks that were in economic development business generally, people in businesses saying, "gosh we got to have some water, we need some help." And they would run out of their water money. This would give them the ability to take funds from elsewhere and put it into that priority. That is the reason I think when you get down to it, it gets to be a wash. I can understand and I think that some folks get nervous. They do not like to have to justify what they are doing. They do not like to have to justify and compete with regard to the projects, and I understand that. I think we all recognize that. But I think they may be selling their programs short. I do not think they have as much faith in their programs as I have. Because I certainly have not found that the case. I do not think that would be the case in my own State of Oklahoma. I think there is a very heavy demand for that. And that is true of anyone of these.

I think you could take any one of these and I think there is going to be that nervousness because you have to compete. That is what we are talking about here is competing for money. Where can we have the biggest impact and the most impact for each one of those scarce dollars we are spending. I think that that is something that we have to recognize. It is a two-way street. It can go any way. They may get more money; they may get less. Some States are probably going to get more; some States are probably going to get less. Nationally I do not think there is going to be much difference.

Mr. COMBEST. Could I continue for just a moment?

Mr. ENGLISH. Certainly.

Mr. COMBEST. Mr. Chairman, I appreciate your chiming in there. One of the reasons I asked the question was due to your opening statement where you had indicated that you were aware of the fact that there would be a number of people who were out there involved today. I think you are right. Any time that there are changes made in the way the programs operate, there is a concern and it is a legitimate concern. But the reason I specifically brought that up was that that indication has been made and I wanted to try to get your opinion of it.

I think it is something we need to discuss, that in fact we are not here to protect the status quo of necessarily a group that has been doing something for years, granted even though it may have been done right, it is a justification of how do we spend and how do we help finance in those areas. In some areas I believe you are correct, there will be increases, if that in fact is the need. If it is not, then money would be very hard to justify that could be spent.

If I could just ask one more quick question. Are there concerns that you have among the shifting within the Department of Agriculture of various duties that currently may be administered by one agency to another agency? Are those any concerns to you or would you prefer to see that maybe there might be a real alignment of some of the agency functions under this bill? Do any of those cause you any heartburn?

Mr. VAUTOUR. I think the way the bill is structured, Mr. Combest, gives the Secretary the latitude to make those kinds of judgments. There are certainly some portions of some agencies that logically would fall under the aegis of the Rural Development Administration and obviously the one we are just discussing—water and waste—is another. The Business and Industry Loan Program of Farmers Home Administration obviously would fall under—at least as I see it—under that kind of thing. I think the legislation is constructed as we read it now, loosely enough so that it gives the Secretary the discretion to be able to manage that thing in a sound administrative way, rather than being, I believe, mandatory.

We have our concerns certainly and there will be agencies that are going to be trying to protect turf obviously, but I do not think it is going to be a major problem.

Mr. COMBEST. Thank you, Mr. Secretary. Mr. Chairman, thanks for your generosity.

Mr. ENGLISH. Thank you. Mr. Staggers.

Mr. STAGGERS. Thank you, Mr. Chairman. Mr. Secretary, I want to thank you also for your testimony and associate myself with everyone else who has complimented you. At the risk of upsetting

that good feeling though, let me ask one question and two observations and maybe you could comment on my observations.

The first question is, that somebody with the administration, not the USDA, but somebody in the administration has contacted somebody in my State indicating that what Mr. Coleman was talking about with Extension that this would be a duplication of SBA's functions. I do not see it that way. Do you see added responsibility to the Extension of being duplication or complementary to SBA?

Mr. VAUTOUR. I would hope that the SBA would look at it as complementary, and I do not think certainly Agriculture and I cannot speak for you, Mr. Chairman or you Mr. Coleman, I would not see this as trying to supplant or duplicate an SBA effort. I think SBA is going to be a very major player in this. They are major players as it is out in rural America and while the Farmers Home Administration has memorandums of understanding with Small Business Administration or joint loaning. That type of thing we would like to encourage. But I would tell you from what I have seen of the Small Business Administration, they are very receptive to rural development. They are committed to it and I think are very active players.

Mr. STAGGERS. I appreciate that. That is the way I view it also. I just wanted to make sure that was on the record that it does not seem to be that duplication.

Let me make the two observations and let me start with the least unsettling. I am not a real big fan of this Justice Department and I do not think that that is any secret. And when you talk about it being unconstitutional, there is a theory that this Justice Department has a philosophical view that there is a unitary executive and that they are to make these decisions and that Congress should not be telling them to do anything. Is your view and you deal with Justice, I am sure a lot better than I do, in your view in dealing with them when they told you about this provision, about the rural economic development review panels would be constitutional, do you see this as a philosophical view or do you see this as something that they are truly trying to make this a better bill?

Mr. VAUTOUR. To be very honest with you, this is the first time I have had occasion to have Justice make a comment on any proposed testimony that I have ever given.

Mr. STAGGERS. Did you solicit it or did they tell you?

Mr. VAUTOUR. No, we did not solicit it.

Mr. STAGGERS. That may be more telling than anything.

Mr. VAUTOUR. Through the clearance process, of course, we spread this proposed testimony out to all agencies. And as I indicated earlier, I think our concern is not necessarily one of philosophical opposition, so much as it is a practical matter of—and as I said earlier on, I have some scar tissue in this respect—we went through some 5 years of total complete restraint in being able to administer servicing actions in Farmer program loans because of a class action suit that was filed in North Dakota. We are probably overly sensitive, but we would look at it as probably something that we are to look into very closely and avoid any possible conflict down the road.

Mr. STAGGERS. I think we view it the same way. I am a little leery of the Department of Justice. My last observation is some-

thing that you said. It is on page 6 of your prepared statement. That you believe that title VII has little to do with rural economic development in the creation of jobs. The findings on page 48 of the bill "The Congress finds that making modern telecommunication technology and services available in rural areas in the United States promotes economic development and improves the quality of life in rural areas."

After you made your prepared statement and answered somebody's question, you use an example of somebody who was using fiber optics and were able to market whatever they had on both coasts. It seemed to me that in this age of information that this type of program that we are trying to establish here is essential to not so much take what is there, but to move up into the future. As the chairman says, to be equal and I would disagree with your statements and I give you an opportunity to defend that or tell me to jump in the lake or whatever?

Mr. VAUTOUR. Mr. Staggers, two reasonable men can disagree, but I would tell you that, I am on record, Secretary Yeutter is on record, and President Bush is on record as stating that we are not trying to get rid of nor are we trying to cripple or hinder the Rural Electrification Administration. And it is absolutely essential that it have up-to-date modern communications for rural development, and I do not think anybody disputes that. We think that the existing programs are perfectly adequate to provide that kind of infrastructure that is required. The contents of title VII go far far beyond what is necessary to get that accomplished.

Mr. STAGGERS. So it is not so much, when you say it has little to do with rural economic development, the creation of jobs, it is not so much that, you just do not like the scope of what title VII does? Am I correct?

Mr. VAUTOUR. REA certainly is necessary to provide the infrastructure. Now please do not misunderstand the statements that I made. The provisions of title VII are totally unnecessary to rural development. The fact that REA is in the loaning business of making electric loans and telephone loans is essential, absolutely to rural development.

Mr. STAGGERS. I probably still disagree but I understand your position. Thank you, Mr. Chairman.

Mr. ENGLISH. Thank you very much. Mr. Grandy. Mr. Holloway.

Mr. HOLLOWAY. Mr. Chairman, Mr. Grandy had to leave. He left some written questions to submit for the record, unless he can return later in the meeting.

Mr. ENGLISH. All right. Mr. Vautour, if you could, we will submit them, if Mr. Grandy doesn't return. And any other members who may have written questions, if they would supply them to staff, we will make sure that they are presented to the Secretary. Mr. Holloway.

Mr. HOLLOWAY. Thank you, Mr. Chairman. I just want to associate myself with the comments also because I think Mr. Vautour offers a very positive attitude coming from the Agriculture Department. We appreciate that very much.

But I have a little bit of a problem under title III, and I want to ask the Under Secretary's comments on the legislation which calls for the creation of a rural development technical assistance unit

within the Rural Electrification Administration. With the creation of the new agency to handle matters associated with rural development, do you think it makes sense to start creating groups like this?

Mr. VAUTOUR. I do not think it is any secret. We, being the administration, have not been in favor of establishing an economic development unit in REA, per se. The intent and the full direction of this legislation is to take all of these fragmented programs that are in Farmers Home, that are in Soil Conversation and Extension Service or whatever, and bring them in under the aegis, if you will, of the Rural Development Administration. It makes imminent good sense. I would view this as beginning the fragmentation process all over again.

If REA borrowers, the rural electric cooperatives need help or need information, then we think the Rural Development Administration ought to be in a position to be able to furnish that help. Now as I read this provision, I believe, the legislation states that 3 percent of the salaries and expenses of REA would be devoted to this. And as you all know, we are under a 5.3 percent sequester and in January we are going to be facing a 3.6-percent increase in wages, all of which has to be absorbed out of existing salaries and expenses, and that amounts to somewhere around $960,000 which is the equivalent of 20-staff years. We just feel that those 20-staff years can be much better invested in delivering the programs that REA has to deliver which are electric loans and telephone loans. Any information that is required or needed for rural development ought to come from the Rural Development Administration.

Mr. ENGLISH. Would the gentleman yield on that point. We have to grant him a little additional time. I think the reason that that was included, and this was one of the questions I wanted to get down to, but since it has been raised at this point, I think it is a good one to get into.

As you pointed out, we have under the 1987 Credit Act provided 15 percent of the plant worth to be used for rural development purposes. The difficulty that we keep getting into and I know that this attitude is contrary to your own, but we keep getting these complaints that the REA is discouraging the REC's from utilizing this feature of the law. And the fact that they are discouraging the utilization presents real problems, and quite frankly the reason that this provision was put in there, it was felt, it seems like we are to the point that it is necessary to set aside and say, "OK we are going to have some folks that go out and work with the REC's and make them aware that this feature is there and encourage them to utilize it and to make sure that they are having an impact." Because as you point out, that is $7 billion that we could bring into this effort.

But if on the other hand we have folks over at the REA, when the REC's call up and they say, "Golly gee, you should not do that. That sounds like a bad deal. You do not want to get into this. You do not know anything about this." That kind of treatment and lack of support and assistance, I think, is very detrimental. The reason that is in there, it is a point we are trying to make. We have to figure out some way to get over that. And as I said, I realize that is not your attitude, but evidently we have some folks over at the

REA, that is their attitude and your influence had not really gotten down to them yet where they understand the reality.

Mr. VAUTOUR. Mr. Chairman, may I assure you that I buy into anybody's right to make an investment without big brother looking over his shoulder. And this 15 percent goes part way. In defense of REA, I testified before the Appropriations Committee back in April and your countryman, Mr. Watkins descended upon me on the same theme. We furnished him evidence that we had sent out a letter to every single rural director or cooperative telling him that they need not wait for regulations in order to implement this program.

You are looking at an individual who is going to promote that because I agree with you. I think that is one area that we can tap into a massive amount of capital that ought to be out there for selfish reasons and that is not bad. They ought to be doing this. I will encourage it. The new Administrator when he is on board will encourage it. And I assure you, he is going to answer to me if he does not. And all members of the Rural Electrification Administration will certainly not be throwing up road blocks in that respect.

Mr. ENGLISH. I want to grant Mr. Holloway another minute here.

Mr. HOLLOWAY. I just simply want to add to that and say that it just looks to me like we could do it by maybe wording in here that encourages it rather than mandates the formation of this. Because once we form it, it will never end. We will be spending this money for the rest of the time. I just wish there was some way we could just put wording in it that maybe encourages it, rather than mandates that we do it.

Just to conclude to say, I do not think there is any district and if we are going to have the money to spend where it is needed, we are going to get all of the money, so you all are going to be hurting everywhere else in the country and the Eighth District of Louisiana. But thanks for both of your work on this bill and I appreciate it. And I know you have really heard it thoroughly and it has been very well put together. Thank you.

Mr. ENGLISH. Thank you very much. Mr. Espy.

Mr. ESPY. Thank you, Mr. Chairman. Mr. Secretary, thank you for appearing here today. I also would like to congratulate through you, Secretary Yeutter, for really keeping his word. The last time he appeared before the full committee to brief us on the USDA's opinion on the farm bill, we got into a little discussion on rural development. He said that he did intend to appoint an Assistant Under Secretary for Small Communities and Rural Development, and by your testimony I see that he has really done that or he is about to do that. I want to let you know that we note that and we appreciate it.

Also with the time I have I would like to follow up on Mr. Staggers' question on what I think is the core of this entire bill. Mr. Chairman, I think this is a good bill. I think that you and the gentleman from Missouri, Mr. Coleman, have done a good job in fashioning a bill that will promote rural development.

The central thesis is decentralization and doing more for local control. And the statement on page 5 where you say, the Justice Department considers the authority of the rural development review panel to be unconstitutional, to me sort of undercuts and

strikes up the core of this entire philosophy that we are intended to move toward. We do not want to create any boards with any illusory authority, we want something real and tangible where they can recommend and the USDA will implement. So I would like to just give you time to amplify on your comment on the Justice Department's opinion.

Mr. VAUTOUR. Mr. Espy, please do not consider my statements as being negative. I made the statement immediately following that we intend to work with this committee to come up with an acceptable alternative. And that alternative obviously is still going to be the local control of the distribution of those resources. It is just a matter of how we get there. My concern was one that, as I articulated earlier on, my concern is not a philosophical one, my concern is one of practicality. If we end up with something that is going to be challenged in court and we get hung up and unable to implement it, it would be a terrible thing.

But even worse than that, Mr. Espy, if we knew this and did not mention it to the committee and we did run into a serious legal snag, you folks would have every right in the world to hang me from the nearest yardarm.

Mr. ESPY. And probably would.

Mr. VAUTOUR. I do not doubt that.

Mr. ESPY. Let me ask you on the time I have remaining on the treatment of rural water and sewer loans presently under Farmers Home. How do you think it will be treated under this new bill? Fiscal year 1990 appropriations for water and sewer loans and grants is about $550 million—$350 million in loans and $200 million grants—and the administration asked for only $200 million in water and sewer loans and $75 million in grants. You did not ask for any community facility loan money other than about $50 million in guaranteed loans when the authority granted under the 1990 appropriations was about $75 million.

I am concerned about the emphasis that the administration has placed on rural water and sewer grants. I would like to ask your comment on that and how do you think that will be rectified under this new bill?

Mr. VAUTOUR. I am not sure that the bill itself will rectify it so much as taking a better look at those programs. And obviously until the President and the Office of Management and Budget sign off on the 1991 budget requests, I am obviously not in a position to divulge what in fact those requests are. But I guess the only way I can answer that, Mr. Espy, is to tell you that this is a new administration. I am not sure that gives you an answer, but I hope this is getting you in the right direction.

Mr. ESPY. You are telling us what we really know already, but we are saying that in the 1990 appropriations, we allowed for an increase of progression for rural water and I do not think that enough is being done to make sure that we consider these grants and loans favorably. And I am just hopeful that we can address this under this new bill and hope you feel the same.

Mr. VAUTOUR. Mr. Espy, we have in the pipeline some $900 million in applications for water and waste. That does not mean that we could obligate $900 million today, because many of these extend over 4, 5, and 6 years in the development process. But there is

more than adequate requests out there for the kind of funds you are referring to and we have every intention of making sure that rural America utilizes those funds in the best manner possible. And again, going back to the intent of this legislation, we hope that would be accomplished through that mechanism.

Mr. ESPY. Thank you. I see my time is up. Thank you, sir.

Mr. NAGLE [acting chairman]. The time of the gentleman has expired. The administration has now been in office 10 months, and yesterday the President of the United States criticized the Congress for not acting on its programs and its initiatives. I noticed in your statement that the Secretary of Agriculture has appointed a task force to study the question of rural development. When do you think we could expect the administration to present to us its views of rural development and the direction it feels we should take?

Mr. VAUTOUR. We have already published, as you know, the rural development task force report which pretty much outlines the way we think the Department of Agriculture ought to go. That same type of exercise was asked of the Secretary by the President and that the working group of the Economic Policy Council come up with the same kind of a task force. That report has been sent to the President and we think that an articulation of that report by the President and his recommendations is imminent. It could be in a matter of 4 days. It could be in a matter of 1 week, but I do not think more than 2.

Mr. NAGLE. Would those recommendations by the administration be reduced to legislation form and presented to the Congress and this committee?

Mr. VAUTOUR. No. There are no legislative recommendations made, but the Secretary met with the chairman and Mr. Coleman a month and a half ago and articulated to them then that much of what will be contained in the President's statement is either already contained in what you got here in legislation or would urge you, that if you think—you being the subcommittee—you can utilize any of those ideas in legislation, feel free to do so.

Mr. NAGLE. I do not want to characterize it as tepid, but you mean you will not come to the committee with a comprehensive legislative proposal for rural development?

Mr. VAUTOUR. No, we have not.

Mr. NAGLE. And you do not anticipate doing that?

Mr. VAUTOUR. No, we do not. We anticipate working with this committee to come up with a meaningful piece of legislation that we can both support.

Mr. NAGLE. Do you plan on not submitting us a legislative initiative, but we are to take what we like of what your task force have recommended that the President has endorsed and put it into legislative form, if we choose to do so?

Mr. VAUTOUR. What is that again, sir?

Mr. NAGLE. We are to take what your task force recommended and put it into legislative form, if we choose to do so?

Mr. VAUTOUR. If you choose to do so, certainly.

Mr. NAGLE. I had anticipated perhaps a more aggressive drive by the administration with rural development than simply issuing a couple of task forces and telling us to pick and choose what we want.

Mr. VAUTOUR. We felt that much of what needed to be done could be done administratively. And we discussed that with both the chairman and Mr. Coleman and if the chairman and Mr. Coleman felt so inclined to use any of those recommendations, we certainly urge them to do so. But we felt that much of what can be done can be done by Presidential initiative at the Federal level. Now we are talking more of just the Department of Agriculture.

Mr. NAGLE. When can we anticipate seeing these administrative initiatives to which you refer?

Mr. VAUTOUR. As I said earlier on——

Mr. NAGLE. I apologize for not being here when you discussed this.

Mr. VAUTOUR. We hoped it would certainly be no longer than 1 week, 2 weeks at the very most.

Mr. NAGLE. That is the task force?

Mr. VAUTOUR. That is the report. That is the recommendations from the President.

Mr. NAGLE. Is that what you mean by an administrative initiative?

Mr. VAUTOUR. Yes.

Mr. NAGLE. So you do not plan on changing any existing regulations or the manner in which the current programs are administered?

Mr. VAUTOUR. There are a number of recommendations that were made and what the President chooses to sign off on and bring forth. At this point, I cannot tell you because I do not know. But there will be many regulatory changes that would be necessary. There are many administrative changes that are going to be necessary. There are many things, such as I mentioned earlier on, such as joint loaning between SBA and Farmers Home and administratively bring all of these programs together, so that it makes some kind of cohesive sense. And if we can do that in the framework of this proposed legislation, we think we can get a major step forward.

Mr. NAGLE. When do you anticipate this specific administrative and regulatory changes will be made and when will they be presented to this committee for comment or review, should you choose to seek our comment or review?

Mr. VAUTOUR. I am afraid I cannot answer that question until the report is actually made public, and then we have to start implementing it.

Mr. NAGLE. Could you estimate some time this winter, some time this spring, some time this summer, some time this fall?

Mr. VAUTOUR. I would hope no later than this winter.

Mr. NAGLE. I want to talk to you about another area, if I may and if the chairman will grant me some additional time. I grant myself the additional time.

Mr. VAUTOUR. Rank has its privileges.

Mr. NAGLE. I have been looking and I notice that there is not a response by you to the sections dealing with proposed revisions for rural housing. Acknowledging that this committee does not have jurisdiction, we still have a keen interest in it. And I am wondering what the administration's position with regard to the proposed changes in the bill as proposed by Mr. Coleman and Mr. English.

Do you have a reaction to the transfer of the authority of FmHA to a different agency?

Mr. VAUTOUR. As I read the legislation, housing programs are not specifically mentioned in the legislation as being transferred from Farmers Home to the proposed Rural Development Administration. And I think that is sound. The Farmers Home Administration has a delivery system of some 1,950 county offices and that is where the rural housing programs are delivered. The Farmer loan programs are also delivered at the county office level of the Farmers Home Administration. And we think that those two loaning programs probably ought to stay in the Farmers Home Administration. And again, it is under my aegis, we think that they have the delivery system; they have the knowledge; they have the background; and they have the personnel that are familiar with the program. And we just think that perhaps is where they ought to stay.

The matter of the other loaning programs that are much directly involved in rural development, we readily concur—ought to be transferred to this new administration.

Mr. NAGLE. Would you concur that rural housing is an integral part of rural development?

Mr. VAUTOUR. Yes. I do not think it is as integral as water and waste and business and industry loans, but it is a factor, certainly.

Mr. NAGLE. If you do not have any place to live, you cannot stay in rural America.

Mr. VAUTOUR. You got that right.

Mr. NAGLE. FmHA housing is under your jurisdiction?

Mr. VAUTOUR. That is correct.

Mr. NAGLE. Are you generally satisfied with the manner in which the rural housing program is being administered during your first——

Mr. VAUTOUR. Am I generally satisfied?

Mr. NAGLE. Yes.

Mr. VAUTOUR. Anything can be improved, but they have utilized all of the funds that have been appropriated for them for I believe now the last 4 or 5 years. The delinquency rate, while a little bit higher than I would like to see it, is within manageable levels. The inventory property that we have, while higher than I would like to see it, I think we are gaining on it and I think we can convert that back to cash for either new borrowers or for the taxpayer's benefit.

Generally speaking I would say, I am reasonably satisfied with it, yes.

Mr. NAGLE. Let me say that prior to coming here today, I did some extensive work in surveying the people who engage in the selling and construction of homes and they pointed out to me a number of regulations that, to my mind, kind of defy logic that restrict the development of houses. For example, new houses in rural America cannot be built with both a basement and a garage. You can have a garage, but you cannot have a basement. You can have a basement, but you cannot have a garage. I just want to go through this litany.

Houses must be in towns with curb and gutter. If the community does not have a curb and gutter, no loans can be made on any homes. No loans on homes outside incorporated limits. Existing

cannot have fire places. When the existing home has a sliding glass door, it must be boarded up or no loan will be made. Walk out basements are considered part of the square footage of the house. All homes furnished with basements and no walkouts are not allowed. Garbage disposals are not allowed.

There is resistance on the part of FmHA to allow homes to be built with more than two bedrooms which obviously restricts the availability. There are restrictions on the age of the home. Homes cannot be loaned that were built, I believe, before 1966. In Iowa I checked and I found that 25 percent of the FmHA housing loans go to two counties, and they are the most populous—Polk and Warren.

It seems to me that there is almost impediments for small towns to qualify for FmHA housing loans, and there are regulations like this where most of the homes are older. I did some further research and found that in rural America homes built prior to 1939 were over 55 percent. While in urban areas populations that are growing, homes that are built before 1939 were at only 40 percent.

It seems to me that if we are going to have rural development, we have to have a rural housing program that works. I had one personal experience where an individual was turned down because there were birds in the garage, and somebody had left the door open. The solution now to me was to close the garage door. And another one in which a man was denied a house because it was 48 square feet too large and he was getting married, but it was too large for a single person. So until he got married, he could not get the loan.

Are you satisfied in the manner in which the regulations here are being administered by the people in your jurisdiction?

Mr. VAUTOUR. I guess the best way I can answer that is that much of which you have outlined here, I am going to have to respond to you in writing, and I certainly will do that. But there are a couple of items that I ought to mention. I was a State director of Farmers Home Administration and much of what you are telling me really I have never heard. And these programs probably vary State by State.

But as a general rule, the object is to deliver as many liveable, safe, and sanitary housing units as we can possibly deliver. It is a matter of cost containment in many many instances. I would use the illustration that in Vermont where I come from, if you have not already detected, we have in single-family housing loans at $100,000 to $110,000. That is because of the cost of housing in that area. There are other areas in the country where you can still do that same house somewhere in the order of $35,000 to $50,000. So much of what you have just outlined is due to cost containment in an honest attempt to deliver as many units as we can deliver. I will respond.

Mr. NAGLE. Then I take it you do not support the President's proposal for eliminating rural housing loans as the President proposed in his budget?

Mr. VAUTOUR. Pardon?

Mr. NAGLE. I take it you do not support eliminating the housing loan program as the President recommended in his budget?

Mr. VAUTOUR. Which President are you referring to?

Mr. NAGLE. President Bush, the new guy.

Mr. VAUTOUR. So I guess I will have to pass on that one for now.

Mr. NAGLE. When you do your response to me in writing with regard to what I perceive as some unrealistic restrictions of the housing program, would you kindly explain to me why more FmHA housing loans are made in urban areas than they are made in rural areas?

Mr. VAUTOUR. I most certainly will attempt to answer that, surely.

Mr. NAGLE. Thank you. Let me yield back to the chairman. Let me say before I yield the gavel back that I wish to congratulate the chairman and the ranking minority member on a great endeavor here, and I look forward to working with you and the administration. But I think that housing program has to be revised drastically.

Mr. ENGLISH. I think it might also be, as the gentleman well knows, that is unfortunately outside of our jurisdiction. That is one of the frustrations that we have on this subcommittee. We would dearly like to have the jurisdiction over housing. I think it makes a lot of sense. It should be included in this package and should be, I think, viewed as part of rural development. But it is in the jurisdiction of another committee and unfortunately we cannot deal with it. Mr. Vautour, maybe you can in dealing with some of the problems that we do not have the jurisdiction to deal with. We can only deal with those that we do have jurisdiction with.

Mr. NAGLE. If the chairman would yield back. That does not mean that we do not have an oversight function and the rights to make inquiry on these programs and what I perceive to be submissive administration of them. And I continue, with leave of the chairman and the ranking minority member to make inquiry on this until I am satisfied.

Mr. VAUTOUR. I assure both of you gentlemen that I do have jurisdiction over that program.

Mr. ENGLISH. We are happy to hear that. Mr. Grandy.

Mr. GRANDY. Thank you, Mr. Chairman. Mr. Vautour, I did not think I would be present to ask my questions to you. In terms of the submitted questions, I guess I will ask you to answer in writing only the last one.

Generally I would have to say that absent the conclusions of the task force and the reports and recommendations and so forth, I think I am safe in assuming that this committee will proceed a pace with your statement which I believe offers qualified support for this initiative. We will work on those particulars where we disagree, but will assume that we have your general agreement that this is the direction in which we want to move. I think we will continue to move that way unless and until the administration persuades us there is a better direction. I hope they do not choose to be more confrontational on this legislation.

Having said that, let me ask you a couple of questions about the specifics. Specifically your concerns about title II. I would ask you to talk about what you foresee to be the allocation process and more importantly perhaps the reallocation process of moneys to States under this title. Specifically in fiscal year 1989, Iowa was allocated about $9 million of all FmHA programs in the rural devel-

opment category. Now the final obligations we wound up getting are closer to $20 million, largely due to efforts by the State FmHA director to leverage funds. Also because there were additional moneys at USDA due to the fact that many States did not use their allocation, and we were able to access those funds.

Now under this bill, as you understand it, and I would I guess also address this question to our chairman and ranking minority member too, will there be any reallocation? Is there a possibility that some States will not do as well under the new proposal as under the current system? It is my present understanding that transfers of accounts can only be like kind. In other words, grants for grants, loans for loans, guarantee authority for guarantee authority, but not commingling.

Does that in a sense protect the funds that States like Iowa have been able to access in the past, so that we would not be looking at a severe drop off, in this case of more than 50 percent of what we had accessed the year before? Could you comment about this reallocation?

Mr. VAUTOUR. Yes. The fact that Iowa got $20 million when you had $6.6, I believe, allocated in the first instance is attributed to a very aggressive State director and a very sympathetic Secretary. But the legislation as I see it is silent in that respect. The allocations made to the State, at least I found nothing in the legislation that would fly in the face of the allocation process and the formulas that we currently use for water and waste systems, for community facilities, and business and industry and what all.

The legislation does, however, permit the Secretary—it does not mandate him—but permits the Secretary to move those funds from program to program. I would see that the national office reserve in these particular programs would be maintained. I would also see that there was a need for pulling—coming close to the end of the fiscal year to make sure that those States that had been hording moneys and did not use them, do not let them revert. And that States that desperately need those moneys would have access to it. Beyond that, I do not think I could answer that.

Mr. GRANDY. So in other words, if you had a State that does not use all of their moneys, is it your understanding that under the legislation they could roll them over into the next year or do they have to turn them back to you at USDA and those funds, then I would assume would be available to States requiring extra funds, if they could access them?

Mr. VAUTOUR. Unless the legislation specifically addresses that, we would call those funds back into the national office and reallocate them out to States that needed them.

Mr. GRANDY. I see.

Mr. ENGLISH. Would the gentleman yield?

Mr. GRANDY. Yes, I would be pleased to yield to the chairman.

Mr. ENGLISH. That certainly is the intent. It is silent. The legislation is silent and that is certainly the intent and expectation as to how the program would work.

Mr. GRANDY. I appreciate the Chair getting involved in this conversation because I think that clarification is an important one and one that we want to address when we get to the markup period.

Let me go on to something else now. You do, and I think this is an important part of your testimony, you talk about the need not to create duplicative programs out there. Let me ask you right now how much work your office does with the Department of Commerce under its Small Business Development Centers program. A $50 million program operating in 49 States and Puerto Rico which provides technical and management assistance, business and rural development, and other kinds of technical assistance.

Is there a need to coordinate your activities with the Department of Commerce, either specifically in this legislation or otherwise, to make sure that you, under a new revised Rural Development Administration, are not duplicating efforts of SBDC? What can we do to facilitate that cooperation?

Mr. VAUTOUR. May I commend you on a pretty sage observation. Yes, there is a definite need for that, and that I referred to in the Economic Policy Council Working Group recommendations to the President. It goes right to the heart of that particular issue. Coordination at a level higher than just the Department of Agriculture or higher than an Under Secretary level or even a Secretarial level. It has to be coordinated from the Presidential level and that goes to the heart of many of the recommendations that are included in that report.

Mr. GRANDY. I realize that we want to keep this bill under the purview of the Agriculture Committee, and so specifically related to the Department of Agriculture, but I think I, having heard your comments in response to my question, would at some point think it would be worthwhile offering language somewhere in this bill to certainly encourage that. So that we do, in a sense, assure that there is not duplication of programs, because I think that, almost as much as lack of funds, impedes growth. When you do not know which program works, how to access them, and whether or not they are going to be working together in some kind of synchronization or whether they are going to be competing, growth is impeded and Government funds are wasted.

Mr. VAUTOUR. Congressman, I would encourage that.

Mr. GRANDY. Thank you, Mr. Vautour, those are the two questions I wanted to ask you in person. I do have one more regarding whether or not FmHA loans are now and will be sold into the secondary market and whether there is a possible rural development financing mechanism there, but I will leave that to you to respond in writing to my office.

Mr. Chairman, thank you.

Mr. ENGLISH. Thank you very much, Mr. Grandy. Mr. Secretary, I want to tell you how much I appreciate you coming up and testifying today and responding to our questions, and as stated earlier we will be looking forward to working with you with regard to the points that you brought forth. I think that most of those that we are talking about can be taken care of with a couple of adjustments here and there, and as I said, we will be looking forward to doing that. Again, thank you very much for your testimony. We appreciate the support.

Mr. VAUTOUR. Thank you, Mr. Chairman.

Mr. ENGLISH. With that we will recess, subject to the call of the Chair.

[Whereupon, at 11:55 a.m., the subcommittee was recessed, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Honorable Roland R. Vautour
Under Secretary
Small Community & Rural Development

Good morning Mr. Chairman and members of the Subcommittee. Thank you for this opportunity to present the views of the United States Department of Agriculture on rural development and the legislation now before this committee.

Rural development is an economic issue. At the heart of this issue lies the need to foster new economic activity in the nation's rural areas - activity that will provide two of the most important tools needed to revitalize rural America - jobs and income.

In recent years, nearly 400,000 people left rural America annually. In large measure they left for economic reasons. They left in search of opportunity and advancement -- they left for jobs! Twenty-seven percent of the nation's population resides in rural areas. Only three percent derives its livelihood from agriculture. Nearly sixty-percent of the nation's farm families need or have off-farm jobs.

What should we conclude from these figures? I believe the conclusion is self-evident; there is a critical need to diversify America's rural economy. And the motivation is not to artificially keep people in rural America. The motivation is that a strong and healthy rural economy will enhance America's ability to compete in the global market.

The nation needs the productive capacity of all rural Americans to compete, not just those involved in production agriculture.

Rural economic development is a local process that finds answers to local problems. More importantly, it is a process to recognize and take advantage of local opportunities.

A central and indispensable part of any economic development effort is strong, committed and active local leadership. Leadership with the desire and ability to marshall the human and physical resources of the community around a cohesive effort to achieve economic growth and diversification.

This is happening today in many parts of rural America and, almost categorically,

the successful efforts share the common denominator of strong and committed leadership spearheading local initiatives.

We have learned much from these successes, and I believe, we have much more to learn from these local leaders, in fact, they should be considered a valuable existing resource that can be called upon to help others.

To be sure, there are people and places that need the help of government -- federal, state, and local -- in the economic development process. Government cannot, however, mandate or control economic development, rural or urban. Rural economic development has to be a cooperative effort, with many players, including the relevant governmental entities as well as private, non-profit and volunteer sectors.

This brings me to what I believe to be the appropriate role of government in the economic development process. Namely, that government can and should provide support and assistance to local efforts and initiatives. The initiatives in question should be designed to promote and foster economic activity that ultimately create jobs and income. The character and level of federal involvement and assistance must, however, be determined by the respective local initiatives and needs.

In this context there are a number of things the federal government provides already, including: information and technical assistance; education and training; and assistance in the development, enhancement and maintenance of esaential infrastructure, such as roads and bridges. Where necessary, the federal government can help fund these kind of efforts as well as provide capital for business start-ups and expansions that create or retain jobs!

The federal government cannot and should not be expected to unilaterally attempt to solve the problems of rural America. Federal efforts must be substantially augmented with help from state and local governments and the private sector.

Mr. Chairman, before I comment on the House legislation I would like to suggest some simple criteria with which to review the proposed actions of Congress and the Federal government relative to rural economic development.

The actions we take should promote the creation of jobs and income for rural Americans;

They should serve to streamline the bureaucracy and facilitate the delivery of rural development resources and assistance;

They should be efficient, cost effective and not create duplicative organizations and services;

The actions should seek to establish flexible and user-friendly services that are mindful of the end-user;

and finally, The actions should not negatively impact the federal budget by adding to the deficit.

Mr. Chairman and members of the committee, the Administration supports in concept the majority of the rural development related provisions contained in the proposed legislation. We acknowledge and support the need to restructure our existing organization to enhance and facilitate the delivery of rural development resources. In fact, we have been working on this concept, among others, for several months. We endorse the establishment of a Rural Development Administration within the Department of Agriculture.

I look forward to working with Congress to fashion a plan that will fulfill the spirit and intent of the legislation in an administratively sound manner. I would stress again, that the reorganization plan must strive to streamline the delivery of resources to rural America and it must be efficient and cost effective.

With regard to Title II, which calls for the local prioritization of project funding, we

believe there is considerable merit to state and local participation in the determination of where rural development resources go. However, the process outlined appears to be cumbersome and complex and we would like to see a more meaningful federal role in the ranking procedure.

Furthermore, I compelled to inform the Subcommittee that the Department of Justice has informed us that in their view, granting the "Rural Economic Development Review Panels" the authority to make determinations that are binding on the Secretary would be unconstitutional because the members of the panels would not be appointed in accordance with the Appointments Clause of the Constitution.

The department supports the concept of local determination and will work with the Subcommittee to develop an acceptable alternative.

One other point, we strongly maintain that the final credit decision and project feasibility must rest solely with the Secretary of Agriculture, in the case of USDA programs.

I am certain we can develop a process that will facilitate the delivery of rural development resources to rural America and ensure the proper level of involvement from federal, state and local governments as well as other relevant organizations.

Finally, with regard to Title II, we do have some concerns about language implying that potential borrowers will be excluded entirely from program participation unless they go through the proposed "Rural Economic Development Review Panel" process. However, I am confident we can find common ground on this issue and still be able to recognize and honor the need for greater local determination of resource direction. The Department is committed to work with the Congress to address this issue.

With regard to Title VII, the telephone and electric portion of the bill, the Department opposes essentially all of the provisions. We can provide a more detailed

assessment later, however, after preliminary review, we believe Title VII has little to do with rural economic development and the creation of jobs and would substantially increase budget costs and the deficit if enacted. As presently written, Title VII will jeopardize the passage of this bill, which I believe can be a landmark piece of legislation.

Another point which I feel merits comment is the matter of rural electric cooperatives being allowed to defer payment on loans from the Rural Electrification Administration as a means of encouraging the cooperatives to invest in local economic development activities. The Department opposes this provision. We believe this provision to be unnecessary and would establish an unfortunate and costly precedent.

Currently, the 1000 REA electric cooperatives can invest up to 15 percent of their respective total utility plant-worth in other, non-electric business ventures. This can be done without the advice or consent of the federal government. Nationwide this amounts to nearly seven billion dollars, available immediately for investment in rural development projects. The rural electric cooperatives have a major stake in rural economic development and I encourage them to invest boldly. Economic growth and diversification in rural America will broaden their customer-base and strengthen their operations. Rural development will help to ensure the financial viability of the nation's rural electric cooperatives.

Finally Mr. Chairman I would like to spend a few moments to offer a status report on rural economic development activities and efforts underway within USDA and throughout the federal government.

Secretary Yeutter has presented to the President the final report and recommendations of the Economic Policy Council Working Group on Rural Development. While I cannot provide specifics at this time, I can say that the spirit of the Working

Group's recommendations is consistent with the spirit of your proposed legislation. We believe the announcement of a Presidential initiative directed at rural economic development is imminent.

Mr. Chairman, I know you are aware of the ongoing effort within the Department of Agriculture with regard to rural development. Earlier this year, Secretary Yeutter created within the department a Revitalization Task Force to take a close look at USDA's rural development related programs and activities. Secretary Yeutter asked the Task Force to offer recommendations on how to improve the performance and delivery of rural development resources.

As a result of the task force's work and recommendations, I am pleased to announce the following actions that will be taken by the Secretary and the Department:

The Secretary is going to appoint, in the near future, an Assistant Under Secretary for Small Community and Rural Development to oversee and coordinate the Department's rural economic development initiatives and programs;

Secretary Yeutter has charged Deputy Secretary Jack Parnell to chair the department's Policy Coordinating Council. USDA Rural development policy will be established and coordinated by this sub-cabinet-level group;

A USDA "Rural Development Mission Statement" will be created as a part of the process to establish the new Rural Development Administration; and

The other actions to be taken on the Task Force's Recommendations will be outlined in the department's annual rural development strategy report to Congress. I hope to deliver that report to the Congress before the end of the calendar year.

In closing I want to emphasize the Department's commitment to rural America and to rural economic development. We support the concepts being advanced by the legislation

and stand ready to work with the committee to draft bill that the Secretary and the President can support.

Thank you for this opportunity to testify. I would be happy to answer any questions you may have.

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101ST CONGRESS
1ST SESSION

H. R. 3581

Entitled the "Rural Economic Development Act of 1989".

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 2, 1989

Mr. ENGLISH (for himself, Mr. COLEMAN of Missouri, and Mr. GUNDERSON) introduced the following bill; which was referred to the Committee on Agriculture

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A BILL

Entitled the "Rural Economic Development Act of 1989".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Rural Economic Development Act of 1989".

TITLE I—REORGANIZATION OF THE DEPARTMENT OF AGRICULTURE

SEC. 101. UNDER SECRETARY OF AGRICULTURE FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS.

Section 501(a) of the Agricultural Trade Act of 1978 (7 U.S.C. 2211a) is amended by striking "foreign agriculture

and agricultural stabilization and conservation" and inserting "foreign agriculture, agricultural stabilization and conservation, agricultural credit, and crop insurance".

SEC. 102. RURAL DEVELOPMENT ADMINISTRATION.

The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by—(1) adding at the end the following:

"SEC. 359. RURAL DEVELOPMENT ADMINISTRATION.

"(a) ESTABLISHMENT.—There is established in the Department of Agriculture the Rural Development Administration, which shall be headed by an Administrator appointed by the Secretary.

"(b) TRANSFER OF FUNCTIONS TO THE ADMINISTRATION.—Notwithstanding the provisions of section 331, as soon as practicable, but in no case later than one hundred eighty days after the date of enactment of this section, the Secretary shall transfer to the Rural Development Administration the powers, duties, and assets of the agencies, offices, and other entities in the Department of Agriculture, or elements thereof, related to the performance of rural development functions, including, but not limited to, the agencies, offices, and other entities in the Department of Agriculture, or elements thereof, that administer sections 303 (in the case of loans made for purposes specified in paragraphs (2) and (3) of subsection (a)), 304(b), 306(a), 310A, 310B, and section

312(a) (in the case of loans made for the purposes specified in paragraphs (5) and (6)) of this Act, section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note), and titles V and VI of the Rural Development Act of 1972.

"(c) INCIDENTAL TRANSFERS.—The Secretary shall make such determinations, and shall transfer such personnel from the Farmers Home Administration, as may be necessary or appropriate with regard to the functions transferred under this section to the Rural Development Administration. The Secretary shall also make such additional incidental dispositions of personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available, or to be made available in connection with the functions transferred by this section, as the Secretary may deem necessary to accomplish the purposes of this section.

"(d) EFFECTIVE AND EFFICIENT TRANSFER OF AUTHORITY.—The Administrator of the Farmers Home Administration and the Secretary shall take whatever steps are necessary to assure the effective and efficient transfer of authority as provided for in this section.

"(e) ADMINISTRATION.—Except as provided in subsection (f), or as otherwise provided in this section, the Secretary shall carry out this Act through the Farmers Home Administration.

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"(f) EXCEPTIONS.—The Secretary shall carry out section 303 (in the case of loans made for purposes specified in paragraphs (2) and (3) of section 303(a)), section 304(b), section 306(a), section 310A, section 310B, section 312(a) (in the case of loans made for the purposes specified in paragraphs (5) and (6)), section 1323 of the Food Security Act of 1985 (7 U.S.C. 1932 note), titles V and VI of the Rural Development Act of 1972, and such other rural development programs as the Secretary determines appropriate through the Rural Development Administration.

"(g) REFERENCES.—Any reference in any law, regulation, or order in effect immediately before the date of the enactment of the Rural Economic Development Act of 1989 to the Farmers Home Administration or Farmers' Home Administration or to the Administrator of the Farmers Home Administration or of the Farmer's Home Administration relating to any function, power, or duty which is, on or after such date, a function, power, or duty of the Rural Development Administration or the Administrator of the Rural Development Administration, shall be deemed to be a reference to the Rural Development Administration or to the Administrator of the Rural Development Administration, as the case may be.

"(h) EFFECT ON PENDING PROCEEDINGS AND PARTIES TO SUCH PROCEEDINGS.—

"(1) NONABATEMENT OF ACTIONS.—This Act does not abate any proceeding commenced—

"(A) by or against any entity any function of which is transferred by this Act; or

"(B) by or against any officer thereof in the official capacity of such individual as such an officer.

"(2) EFFECT ON PARTIES.—If an officer of the Farmers Home Administration, in the official capacity of such officer, is a party to a proceeding pending on the date of the enactment of this Act, and under this Act the officer or any function of the officer is transferred to the Rural Development Administration, Department of Agriculture, then such action shall be continued with the Secretary or the Administrator, Rural Development Administration, or other appropriate officer of the Department substituted or added as a party.

"(3) TRANSFER OF CERTAIN RIGHTS OF FARMERS HOME ADMINISTRATION TO RURAL DEVELOPMENT ADMINISTRATION.—The rights, interests, obligations, and duties of the Farmers Home Administration arising before the date of the enactment of the Rural Economic Development Act of 1989 out of any loan made, insured, or guaranteed, or any grant or contract made, by the Farmers Home Administration

in the exercise of its functions will continue to be vested in the Farmers Home Administration (except with respect to any function to be exercised on or after such date by the Rural Development Administration), or in the Rural Development Administration (with respect to any function to be exercised on or after such date by the Rural Development Administration).

"(i) COMPENSATION OF ADMINISTRATOR.—The Administrator of the Rural Development Administration shall be compensated in accordance with subchapter VIII of chapter 53 of title 5, United States Code.".

"(2) in section 309(e) by inserting "and the Rural Development Administration" after "Farmers Home Administration".

TITLE II—LOCAL PRIORITIZATION OF PROJECT FUNDING

SEC. 201. DELIVERY OF CERTAIN RURAL DEVELOPMENT PROGRAMS.

"(a) IN GENERAL.—The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by adding at the end the following:

"SEC. 360. SYSTEM FOR DELIVERY OF CERTAIN RURAL DEVELOPMENT PROGRAMS.

"(a) IN GENERAL.—

"(1) ASSISTANCE IN ELIGIBLE STATES.—Notwithstanding section 310B(d)(4), assistance under each designated rural development program shall be provided in eligible States to qualified projects in accordance with this section.

"(2) NO ASSISTANCE IN OTHER STATES.—The Secretary shall not provide assistance under any designated rural development program in any State which is not an eligible State.

"(b) DEFINITIONS.—As used in this section and section 361:

"(1) AREA PLAN.—The term 'area plan' means, with respect to a local area in a State, the long range rural development plan developed for the area. Each area plan shall identify the geographical boundaries of the area and include—

"(A) an overall economic plan for the area with goals, including economic development and quality of life goals, and time lines based on a realistic assessment of conditions in the area, including, but not limited to—

"(i) the number and types of businesses in the area that are growing or declining, and a list of the types of businesses that the area could potentially support;

"(ii) the realistic possibilities for industrial recruitment in the area;

"(iii) the potential for the development of tourism in the area;

"(iv) the potential for the generation of employment in the area through the creation of small businesses and the expansion of existing businesses; and

"(v) the potential for the production of value-added agricultural products in the area;

"(B) an inventory and assessment of the human resources of the area, including, but not limited to—

"(i) a current list of organizations in the area and their special interests;

"(ii) the current level of participation of area residents in rural development activities and the level of participation required for successful implementation of the plan;

"(iii) the availability of general and specialized job training in the area and the extent to which the needs of the area for such training are not being met;

"(iv) a list of area residents with special skills which could be useful in developing and implementing the plan; and

"(v) an analysis of the human needs of the area, the resources in the area available to meet those needs, and the manner in which the plan, if implemented, would increase the resources available to meet those needs;

"(C) the current degree of intergovernmental cooperation in the area and the degree of such cooperation needed for the successful implementation of the plan;

"(D) the ability and willingness of governments and citizens in the area to become involved in developing and implementing the plan;

"(E) a description of how the governments in the area will apply budget and fiscal control processes to the plan; and

"(F) the extent to which public services and facilities need to be improved to achieve the economic development and quality of life goals of the plan, taking into consideration, at a minimum—

"(i) law enforcement;

"(ii) fire protection;

"(iii) water and solid waste management;

"(iv) education;

"(v) health care;

"(vi) transportation;

"(vii) housing;

"(viii) communications; and

"(ix) the availability of, and capability to generate, electric power.

"(2) DESIGNATED RURAL DEVELOPMENT PROGRAM.—The term 'designated rural development program' means a program carried out under section 304(b), 306(a), or subsection (a) through (f) of section 310B (as added by section 402 of the Rural Economic Development Act of 1989) of this Act, or under section 1323 of the Food Security Act of 1985.

"(3) ELIGIBLE STATE.—The term 'eligible State' means a State with respect to which all of the following apply not later than October 1, 1990:

"(A) ESTABLISHED RURAL ECONOMIC DEVELOPMENT REVIEW PANEL.—The State has established a rural economic development review panel meeting the requirement of section 361.

"(B) APPOINTED STATE COORDINATOR.—The Governor of the State has appointed an officer or employee of the State government to—

"(i) manage, operate, and carry out the instructions of, the panel described in subparagraph (A); and

"(ii) serve as a liaison between the panel and the Federal and State agencies involved in rural development, including transmitting to the Secretary any list transmitted to the State coordinator pursuant to section 361(b)(5).

"(C) DESIGNATED AGENCY TO PROVIDE ADMINISTRATIVE SUPPORT TO PANEL.—The State has designated an agency to provide the panel and the State coordinator with support for the daily operation of the panel described in subparagraph (A).

"(4) QUALIFIED PROJECT.—The term 'qualified project' means any project—

"(A) for which the agency described in paragraph (2)(C) of the State has identified—

"(i) the alternative Federal, State, local, or private sources of assistance; and

"(ii) the related activities in the State; and

"(B) to which the Secretary is required by subsection (c)(4) to provide assistance.

"(5) STATE.—The term 'State' means each of the fifty States, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, Micronesia, the Marshall Islands, and Palau.

"(6) STATE COORDINATOR.—The term 'State coordinator' means the individual appointed by the Governor of the State to carry out the activities described in paragraph (2)(B).

"(7) STATE RURAL ECONOMIC DEVELOPMENT REVIEW PANEL.—The term 'State rural economic development review panel' means a panel specified in section 361.

"(c) DUTIES OF THE SECRETARY.—The Secretary shall, with respect to each eligible State—

"(1) review the list, if any, transmitted pursuant to subsection (b)(3)(B)(ii) by any State coordinator;

"(2) determine whether each project described in an application in the list meets the requirements of the rural development program under which the application seeks assistance;

"(3) remove from the list any application for a project that does not meet the requirements;

"(4) provide assistance, subject to available funds to the projects in the applications remaining in the list after the list has (if necessary) been modified pursuant to paragraph (3), in the order in which ranked;

"(5) within thirty days after the date of the enactment of any Act providing appropriations for any designated rural development program for any fiscal year, notify the State of the amounts to be made available to the State under such program for such fiscal year, and the aggregate for such fiscal year of such amounts under all the designated rural development programs;

"(6) pay per diem or otherwise reimburse each full-time officer or employee of the United States who is a member of a State rural economic development review panel for expenses incurred each day (including travel time) during which the officer or employee is engaged in the actual performance of a duty of the panel; and

"(7) from amounts appropriated for grants under any provision of section 306(a), make grants not to exceed $100,000 annually to each eligible State for the administrative costs associated with the State rural

economic development review panel meeting the requirements of section 361.

"(d) OFFICIAL INFORMATION.—The Secretary may appoint as nonvoting members, temporarily and for specific purposes, personnel from any department or agency of the United States, with the consent of the head of such department or agency, with expertise not available among the members of any State rural economic development review panel as may be necessary to enable the panel to perform a duty described in section 361(b).

"(e) LIMITED REPROGRAMMING AUTHORITY.—The Secretary shall allocate the sums appropriated for direct loans, loan guarantees, or grants for any designated rural development program made available to the State under such program for any fiscal year to the projects specified in subsection (c)(4) in the order in which the applications for such projects are ranked on the list specified in subsection (c)(1). If the sums appropriated for direct loans, loan gurantees, or grants for any designated rural development program made available to the State under such program for any fiscal year are insufficient to enable the Secretary to provide the full amount of the assistance requested for a project specified in subsection (c)(4), the Secretary may, notwithstanding any provision of law relating to appropriations for any such program for the fiscal year, transfer to the program from other

such programs part or all of the sums appropriated for loans, loan guarantees, or grants, as the case may be, made available to the State for such other programs for such fiscal year. The amount transferred from a program under this subsection shall not exceed the amount for such program left unallocated after allocating to each project in an application ranked higher in priority on such list the full amount of assistance requested for each such project.

"(f) INAPPLICABILITY OF FEDERAL ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act shall not apply to any State rural economic development review panel.

"(g) NO LIABILITY OF MEMBERS OF STATE RURAL ECONOMIC DEVELOPMENT REVIEW PANELS.—The members of a State rural economic development review panel shall not be liable to any person with respect to any determination made by the panel.

"SEC. 361. STATE RURAL ECONOMIC DEVELOPMENT REVIEW PANEL.

"(a) IN GENERAL.—Each State rural economic development review panel specified in section 360(b)(2)(A) shall meet all of the requirements of this section.

"(b) DUTIES.—The panel shall have the following duties:

"(1) REVIEW RURAL DEVELOPMENT PLANS OF LOCAL AREAS.—To review each area plan submitted by a local area.

"(2) EVALUATE AREA PLANS.—To evaluate, pursuant to a written policy and criteria, each area plan submitted by a local area and either—

"(A) ACCEPT SATISFACTORY PLANS.—accept any area plan that is technically and economically adequate, feasible, and likely to succeed in meeting the stated goals of the plan, unless the plan is incompatible with any other area plan for that area that has been accepted by the panel; or

"(B) RETURN UNSATISFACTORY PLANS.—return any plan that is technically or economically inadequate, infeasible, unlikely to be successful, or incompatible with any other area plan for that area that has been accepted by the panel, with an explanation of the reasons for the return with suggested alternative proposals.

"(3) REVIEW AND RANK APPLICATIONS FOR ASSISTANCE UNDER DESIGNATED RURAL DEVELOPMENT PROGRAMS FROM AREAS WITH ACCEPTED AREA PLANS.—To review applications for assistance for projects to be carried out in any area the area plan for which has been accepted pursuant to paragraph (2)(A),

taking into account the sources of assistance and related activities identified pursuant to section 360(b)(4)(A), and to rank, pursuant to a written policy and criteria, such applications in an order that takes into account—

"(A) in the case of business projects described in the application—

"(i) the extent to whi h a project would—

"(I) stimulate rural development by creating new jobs of a permanent nature or retaining existing jobs, by enabling new small businesses to be started, or existing businesses to be expanded by local area residents who own and operate the businesses;

"(II) contribute to the enhancement and the diversification of the local area economy;

"(III) generate or retain jobs for local area residents;

"(IV) be carried out by persons with sufficient managerial capability; and

"(V) be likely to become financially viable;

"(ii) would assist projects in as many areas as possible in the State, with sensitivity to geographical distribution;

"(iii) the technical aspects of the projects;

"(iv) the market potential and marketing arrangements for the projects; and

"(B) in the case of infrastructure and community facility projects described in the applications—

"(i) the extent to which a project would—

"(I) affect the quality of life for local area residents;

"(II) affect the health and safety of local area residents;

"(III) affect business productivity and efficiency; and

"(IV) enhance commercial business activity.

Beginning October 1, 1991, a business project which, if implemented, would create or retain jobs is to be ranked ahead of all infrastructure projects, except that an infrastructure project is to be given the same ranking as such a business project if it is necessary for the

infrastructure project to be carried out in order for the business project to create or retain jobs.

"(4) PRIORITY RANKING FOR PROJECTS ADDRESSING HEALTH EMERGENCIES.—To give priority in reviewing and ranking, notwithstanding the criteria established in paragraph (3), applications for projects designed to address a health emergency declared to be such by the appropriate Federal or State government agency.

"(5) TRANSMIT LIST OF RANKED APPLICATIONS.—To transmit to the State coordinator each list of applications ranked pursuant to paragraphs (3) and (4), and instruct the State coordinator to transmit the list to the Secretary.

"(6) ESTABLISHMENT AND REVIEW OF WRITTEN POLICY AND CRITERIA FOR EVALUATING AND RANKING APPLICATIONS.—To establish and annually review the written policy and criteria used by the panel in evaluating and ranking applications in accordance with this subsection to ensure that the policy and criteria are consistent with current rural development needs, and to provide for public input during the development of the initial policy and criteria.

"(c) MEMBERSHIP.—

"(1) IN GENERAL.—The panel shall be composed of not more than twenty members—

(A) one of whom is the Governor of the State or the designee of the Governor;

(B) one of whom is the director of the State agency responsible for economic and community development or the designee of the director;

(C) one of whom is appointed by a statewide association of banking organizations;

(D) one of whom is appointed by a statewide association of investor-owned utilities;

(E) one of whom is appointed by a statewide association of rural telephone cooperatives;

"(F) one of whom is appointed by a statewide association of non-cooperative telephone companies;

"(G) one of whom is appointed by a statewide association of rural electric cooperatives;

"(H) one of whom is appointed by a statewide association of health care organizations;

"(I) one of whom is appointed by a statewide association of existing local government-based planning and development organizations;

"(J) two of whom are appointed by the Governor of the State from two different statewide

rural development organizations neither of which is described in any of subparagraphs (C) through (I);

"(K) one of whom is appointed by the dean, or the equivalent official, of the school or college of business of a college or university in the State selected by the Governor;

"(L) one of whom is appointed by the dean, or the equivalent official, of the school or college of engineering of a college or university in the State selected by the Governor;

"(M) one of whom is appointed by the dean, or the equivalent official, of the school or college of agriculture of a college or university in the State selected by the Governor;

"(N) one of whom is appointed by a statewide association of counties;

"(O) one of whom is appointed by a statewide association of towns and townships, or by a statewide association of municipal leagues, as determined by the Governor;

"(P) one of whom is appointed by a statewide association of rural water districts;

"(Q) the State director of the Federal small business development center (or, if there is no

small business development center in place with respect to the State, the director of the State office of the Small Business Administration);

"(R) the director of the State office of the Economic Development Administration; and

"(S) one of whom is appointed by the Secretary from among the officers and employees of the Federal Government.

"(2) PROHIBITION AGAINST APPOINTMENT OF PUBLIC OFFICIALS.—Elected public officials shall not be appointed under subparagraphs (J), (N), and (O) of paragraph (1).

"(3) APPOINTMENT OF REPRESENTATIVES OF STATEWIDE ORGANIZATIONS BY THE GOVERNOR IN CERTAIN CASES.—If there is no statewide association described in subparagraph (C), (D), (E), (F), (G), (H), or (I) of paragraph (1) of the entities described in such subparagraph or if there are fewer than two organizations described in subparagraph (J) of paragraph (1) of the entities described in such subparagraph, the Governor of the State shall have appointed an individual to fill the position or positions, as the case may be, described in the applicable subparagraph from among nominations submitted by local groups of such entities.

"(d) NOTIFICATION.—Each statewide organization that selects an individual to represent the organization on the panel shall have notified the Governor of the State of the selection.

"(e) QUALIFICATIONS OF PANEL MEMBERS APPOINTED BY THE GOVERNOR.—Each individual appointed to the panel by the Governor of the State shall be specifically qualified to serve on the panel by virtue of the individual's technical expertise in business and community development.

"(f) VACANCIES.—A vacancy in the panel shall be filled in the manner in which the original appointment was made.

"(g) CHAIRPERSON AND VICE CHAIRPERSON.—The panel shall have elected two members of the panel who are not officers or employees of the United States to serve as the chairperson and vice chairperson of the panel for a term of one year.

"(h) NO COMPENSATION FOR FEDERAL MEMBERS.—Except as provided in section 360(c)(6), each member of the panel who is an officer or employee of the Federal Government may not receive any compensation or benefits, in addition to that which such officer or employee receives for performance of such officer or employee's regular employment, by reason of service on the panel.

"(i) RULES GOVERNING PANEL MEETINGS.—

"(1) QUORUM.—A majority of the members of the panel shall constitute a quorum for the purpose of conducting business of the panel.

"(2) FREQUENCY OF MEETINGS.—The panel shall meet not less frequently than quarterly.

"(3) FIRST MEETING.—The State coordinator shall schedule the first panel meeting.

"(4) RECORDS OF MEETINGS.—The panel shall keep records of the minutes of the meetings, deliberations, and evaluations of the panel, in sufficient detail to enable the panel to provide to interested persons the reasons for its actions.

(b) CONFORMING AMENDMENT.—Section 306(a)(3) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(3)) is amended by striking "and not inconsistent" and all that follows.

SEC. 202. GRANTS TO STATE REVOLVING FUNDS FOR LOANS TO VERY SMALL BUSINESS VENTURES.

(a) GRANT AUTHORITY.—On the request of a State rural economic development review panel specified in section 361 of the Consolidated Farm and Rural Development Act, the Secretary may make a one-time grant to a State agency designated by the Governor of the State for the capitalization of a revolving fund to finance and facilitate startup or expan-

sion of very small private businesses in the State, which shall be used in accordance with this section.

(b) AMOUNT OF GRANT.—

(1) GENERAL FORMULA.—The amount of the grant which may be made under subsection (a) to the revolving fund of a State in a fiscal year shall be an amount equal to—

(A) the aggregate amount available to the State in the fiscal year for designated rural development programs (as defined in section 360(b)(2) of the Consolidated Farm and Rural Development Act); multiplied by

(B) a number determined in accordance with paragraph (2).

(2) DETERMINATION OF PERCENTAGE.—

(A) IN GENERAL.—Subject to subparagraph (B), the State rural economic development review panel referred to in subsection (a) shall determine the number described in paragraph (1)(B).

(B) LIMITATION.—The number determined under subparagraph (A) shall not exceed 0.25.

(c) MANAGEMENT OF REVOLVING FUND.—The State agency designated by the Governor of the State pursuant to subsection (a) shall manage, operate, and provide for the

fiscal integrity of the revolving fund described in subsection (a).

(d) LOANS FROM REVOLVING FUND.—

(1) DETERMINATION OF ELIGIBILITY OF APPLICANT FOR LOAN.—The State agency designated by the Governor of the State pursuant to subsection (a) shall—

(A) determine whether each applicant for a loan from the revolving fund described in subsection (a) is eligible for such a loan;

(B) transmit to the State rural economic development review panel referred to in subsection (a) any recommended application for a loan from the fund which has been submitted by an applicant who is eligible for such a loan; and

(C) make a loan from the fund to an applicant whose application is approved by the State Rural Economic Development Review Panel referred to in subsection (a).

(2) REVEIW OF APPLICATION.—The State economic development review panel referred to in subsection (a) shall—

(A) review each application for a loan from the revolving fund described in subsection (a)

which is transmitted to the panel pursuant to subsection (d); and

(B) determine whether or not to approve the application taking into account revelant factors, including—

(i) the extent to which the application is consistent with any area plan, as defined in section 360(b)(1) of the Consolidated Farm and Rural Development Act, approved by such panel pursuant to section 361(b)(2) of such Act, for the area in which the project proposed by the application is to be implemented; and

(ii) the criteria set forth in section 361(b)(3) and (4) of the Consolidated Farm and Rural Development Act.

(e) USE OF FUND.—A State that receives a grant under subsection (a) shall use the grant to make loans at prevailing interest rates—

(1) to enterprises described in subsection (a), directly or through intermediaries which have established programs for providing financial and technical assistance to local businesses; and

(2) for the capitalization of intrastate revolving loan funds.

(f) INTERPRETATION OF SECTION.—This section shall not be construed to prevent a State which receives a grant made under this section from commingling in the revolving fund described in subsection (a) amounts from other sources.

(g) DEFINITION.—For the purposes of this section the term "very small business" means any business having fewer than thirty employees.

TITLE III—ENHANCEMENT OF EXISTING RURAL DEVELOPMENT PROGRAMS

SEC. 301. REA TECHNICAL ASSISTANCE UNIT.

(a) TECHNICAL ASSISTANCE UNIT.—Title I of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) is amended by adding at the end the following:

"SEC. 17. TECHNICAL ASSISTANCE UNIT.

"(a) ESTABLISHMENT.—The Administrator shall establish a technical assistance unit to perform the duties described in subsection (b).

"(b) DUTIES.—The technical assistance unit established under subsection (a) shall—

"(1) provide advice and guidance to electric and telephone borrowers under this Act concerning the effective and prudent use by such borrowers of the investment authority under section 312 to promote rural development;

"(2) provide technical advice, troubleshooting, and guidance concerning the operation of programs or systems that receive assistance under this Act;

"(3) establish and administer various pilot projects through electric and telephone borrowers that the Administrator determines are useful or necessary, and recommend specific rural development projects for rural areas;

"(4) act as an information clearinghouse and conduit to provide information to electric and telephone borrowers under this Act concerning useful and effective rural development efforts that such borrowers may wish to apply in their areas of operation and concerning State, regional, or local plans for long-term rural economic development;

"(5) provide information to electric and telephone borrowers under this Act concerning the eligibility of such borrowers to apply for financial assistance, loans, or grants from other Federal agencies and non-Federal sources to enable such borrowers to expand their rural development efforts; and

"(6) promote local partnerships and other coordination between borrowers under this Act and community organizations, States, counties, or other entities, to improve rural development.

"(c) FUNDING.—Not less than 3 per centum of the salaries and expenses of the Rural Electrification Administration shall be made available during each fiscal year to the technical assistance unit established in this section. ".

SEC. 302. DEFERMENT OF PAYMENT ON ECONOMIC DEVELOPMENT LOANS.

Section 12 of the Rural Electrification Act of 1936 (7 U.S.C. 912) is amended by—

(1) inserting "(a)" before "The Administrator"; and

(2) adding at the end the following new subsection:

"(b)(1) The Administrator shall permit any borrower to defer the payment of principal and interest on any insured or direct loan made under this Act under circumstances described in this subsection, notwithstanding any limitation contained in section 12(a), except that such deferment shall not be permitted based on the determination of the Administrator of the financial hardship of the borrower.

"(2)(A) In the case of deferments made to enable the borrower to provide financing to local businesses, the deferment shall be repaid in equal installments, without the accrual of interest, over the sixty-month period beginning on the date of the deferment, and the total amount of such payments shall be equal to the amount of the payment deferred; and

"(B) In the case of deferments made to enable the borrower to provide community development assistance, technical assistance to businesses, or similar community, business, or economic development assistance, the deferment shall be repaid in equal installments, without the accrual of interest, over the one hundred and twenty-month period beginning on the date of the deferment, and the total amount of such payments shall be equal to the amount of the payment deferred.

"(3)(A) A borrower may defer its debt service payments only in an amount equal to an investment made by such borrower in community or economic development projects.

"(B) The amount of the deferment shall not exceed 50 per centum of the cost of a community or economic development project financed under paragraph (2).

"(C) The total amount of deferments under this subsection during each of the fiscal years 1990 through 1993 shall not exceed 3 per centum of the total payments received during such fiscal year from all borrowers on direct and insured loans made under this Act and shall not exceed 5 per centum of such total payments in each subsequent fiscal year.

"(D) At the time of a deferment, the borrower shall make a cushion of credit payment in an amount equal to the amount of the payment deferred. Such payment shall not be reduced by the borrower below the level of the unpaid balance of the payment deferred. Subject to limitations estab-

lished in annual appropriations Acts, such cushion of credit amounts and any other cushion of credit and advance payments of any borrower shall be included in the interest differential calculation under section 313.

"(4) The Administrator shall undertake all reasonable efforts to permit the full amount of deferments authorized by this subsection during each fiscal year.".

SEC. 303. RURAL HOUSING FINANCING BY THE FARM CREDIT BANKS.

Section 1.11(b)(3) of the Farm Credit Act of 1971 (12 U.S.C. 2019(b)(3)) is amended by striking out "2,500" and inserting "20,000".

SEC. 304. SECURITIZATION OF HOUSING LOANS.

(a) INCREASE IN SIZE OF COMMUNITIES SERVED.—Section 8.0(1)(B)(i) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(1)(B)(i)) is amended by striking out "2,500" and inserting "20,000".

(b) CLARIFICATION OF EXISTING LAW.—Section 8.8(b)(5) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa) is amended by inserting "except for the residential dwellings described in section 8.0(1)(B)(i)," before "contain".

SEC. 305. WATER AND WASTE LENDING BY BANKS FOR CO-OPERATIVES.

(a) AUTHORIZATION.—Section 3.7 of the Farm Credit Act of 1971 (12 U.S.C. 2128) is amended by adding at the end the following:

"(f) The banks for cooperatives are authorized to make and participate in loans and commitments, and to extend other technical and financial assistance for the purpose of the installation, expansion, or improvement of water facilities or systems of waste disposal facilities, to—

"(1) cooperatives formed specifically for the purpose of establishing or operating such systems; and

"(2) rural municipalities having populations not in excess of twenty thousand inhabitants, if the proceeds from such loans are used to expand existing water or waste facilities in such municipalities, to enhance the economic development of such municipalities, or to address health-related problems of the inhabitants of such municipalities."

(b) CONFORMING CHANGES.—Section 3.8(b)(1) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)) is amended by adding at the end the following:

"(D) Any cooperative or municipality described in section 3.7(f)."

SEC. 306. AMENDMENTS TO THE BUSINESS AND INDUSTRY LOAN PROGRAM.

Section 310B(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932(a) is amended by—

(1) inserting before the first sentence the following: "The Secretary may also make and insure loans to small and very small rural businesses to assist in the startup and expansion of such businesses that have presented an application for a business project meeting the criteria established under section 361(b)(3)(A) to the State Rural Economic Development Review Panel.";

(2) striking "$25,000,000" and inserting "$1,000,000"; and

(3) by adding at the end the following: "The primary purpose of the program established under this section shall be to assist small and very small rural businesses, as provided in the first sentence of this subsection. For the purposes of this section, the term "very small business" means a business having fewer than thirty employees; the term "small business" shall not be defined in such a manner as to be inconsistent with the definition of such term established by the Small Business Administration pursuant to section 632 of title 15, United States Code.

SEC. 307. WATER OR WASTE DISPOSAL LOANS TO BENEFIT RURAL BUSINESSES.

Section 306(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(1)) is amended by inserting "rural businesses," after "farm laborers,".

TITLE IV—RURAL DEVELOPMENT INFORMATION SHARING AND TECHNOLOGY TRANSFERS

SEC. 401. RURAL DEVELOPMENT INFORMATION SHARING.

Section 306(a)(12)(A) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(12)) is amended by inserting ", that shall be located in the National Agricultural Library," after "system".

SEC. 402. RURAL TECHNOLOGY GRANTS.

(a) AUTHORIZATION.—Section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) is amended by adding at the end the following:

"(g)(1) The Secretary shall make grants under this subsection to nonprofit institutions for the purpose of enabling such institutions to establish and operate centers for rural technology development.

"(2) Any nonprofit institution seeking a grant under paragraph (1) shall submit to the Secretary an application containing a plan for the establishment and operation by such institution of a center for rural technology development. The Secretary may approve such application if such plan contains the following:

"(A) A provision that substantiates that such centers will effectively serve rural areas in the United States.

"(B) A provision that the primary objective of such center will be to improve the economic condition of rural areas by promoting the development (through technology innovation) and the adaptation of existing technology and commercialization of—

"(i) new services and products that can be produced or provided in rural areas; and

"(ii) new processes that can be utilized in the production of products in rural areas.

"(C) A description of the activities which such center will carry out to accomplish such objective.

Such activities may include the following:

"(i) Programs for technology research, investigations, and basic feasibility studies in any field and discipline for the purpose of generating principles, facts, technical knowledge, new technology, or other information which may be useful to rural industries, agribusinesses, and other persons in rural areas served by such centers in the development and commercialization of new products in processes.

"(ii) Programs for the collection, interpretation, and dissemination of existing principles, facts, technical knowledge, new technology, or other information which may be useful to rural industries, agribusinesses, and other persons in rural areas served by the center in the development and commercialization of new products and processes.

"(iii) Programs providing training and instruction for individuals residing in rural areas served by the center with respect to the development (through technological innovation and adaptation of existing technology) and commercialization of new products and processes.

"(iv) Programs providing loans and grants to individuals in rural areas served by the center and to small businesses in rural areas served by the center for purposes of generating, evaluating, developing, and commercializing new products and processes.

"(v) Programs providing technical assistance and advisory services to individuals, small businesses, and industries in rural areas served by the center for purposes of developing and commercializing new products and processes.

"(D) A description of the contributions which such activities are likely to make to the improvement of the economic conditions of the rural areas for which such center will provide services.

"(E) Provisions that such center, in carrying out such activities will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

"(F) Provisions that such center—

"(i) will consult with any college or university administering any program under title V of the Rural Development Act of 1972 in the State in which such center is located; and

"(ii) will cooperate with such college or university in the coordination of such activities and such program.

"(G) Provisions that such center will take all practicable steps to develop continuing sources of financial support for such center, particularly from sources in the private sector.

"(H) Provisions for—

"(i) monitoring and evaluating such activities by the institution operating such center; and

"(ii) accounting for money received by such institution under this section.

"(I) Provisions that such center will provide for the optimum application of such technology in rural areas, especially those areas adversely impacted by adverse agricultural economic conditions, through the establishment of demonstration projects and subcenters for rural technology development where the technology can be implemented by communities, community colleges, businesses and other institutions to improve local economic conditions.

"(3) Grants made under paragraph (1) shall be made on a competitive basis. In making grants under paragraph (1), the Secretary shall give preference to grant applications providing for the establishment of centers for rural technology development that—

"(A) can demonstrate the capability to transfer for practical application in rural areas the technology generated at such centers for rural areas and the ability to commercialize products and processes in such areas;

"(B) will effectively serve in rural areas which have—

"(i) few rural industries and agribusinesses;

"(ii) high levels of unemployment;

"(iii) high rates of migration of people, businesses, and industries; and

"(iv) low levels of per capita income; and

"(C) will contribute the most to the improvement of economic conditions of rural areas.

"(4) As used in this subsection:

"(A) The term 'nonprofit institution' means any organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

"(B) The term 'United States' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, Micronesia, the Marshall Islands, and Palau.

"(C) The term 'rural areas' means a county with an urban population of fewer than twenty thousand individuals.

"(h) In carrying subsection (g), the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment or underemployment of persons residing in economically distressed rural areas which the Secretary determines have a substantial need for such assistance. Such assistance shall include planning and feasibility studies,

management and operational assistance, and studies evaluating the needs for and development potential of projects which increase employment and improve economic growth in such areas.

"(i) The Secretary may make grants to defray not to exceed 75 per centum of the administrative costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under subsection (g). For purposes of determining the non-Federal share of such costs, the Secretary shall consider contributions in cash and in kind, fairly evaluated, including but not limited to premises, equipment, and services.".

(c) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—To carry out section 310B(g) and (i) of the Consolidated Farm and Rural Development Act, there are authorized to be appropriated to the Secretary not to exceed $50,000,000 each year for fiscal years 1990, 1991, and 1992.

SEC. 403. CONFORMING AMENDMENTS.

(a) Section 331 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981) is amended—

(1) in the first sentence—

(A) by striking "For the purposes of this title and" and inserting "In accordance with section 359, for purposes of this title, and"; and

(B) by inserting before the period ", or may assign and transfer such powers, duties, and assets to the Rural Development Administration as provided by law for that office";

(2) in subsection (d), by striking "under any of its programs" and inserting ", or the Rural Development Administration under any of their programs,"; and

(3) in subsections (h) and (i), by inserting "Rural Development Administration under this title or by the" before "Farmers Home Administration" each place it appears.

(b)(1) Section 331A of such Act (7 U.S.C. 1981a) is amended by inserting "or by the Rural Development Administration," immediately after "Farmers Home Administration".

(2) Section 335 of such Act (7 U.S.C. 1985) is amended—

(A) in subsection (a), by inserting "or the Rural Development Administration" after "Farmers Home Administration"; and

(B) in subsection (c)(1), by inserting "or the provisions of this title administered by the Rural Development Administration or" after "such provisions hereof".

(3) Section 338(a) of such Act (7 U.S.C. 1988(a)) is amended by inserting "or the Rural Development Administration" after "Farmers Home Administration".

TITLE V—RURAL BUSINESS AND LEADERSHIP TRAINING

SEC. 501. EXTENSION SERVICE RURAL BUSINESS AND LEADERSHIP TRAINING PROGRAM.

Section 1 of chapter 79 of the Act of May 8, 1914 (7 U.S.C. 341), is amended by—

(1) inserting "(a)" before the existing section; and

(2) adding at the end the following:

"(b)(1) The Secretary shall establish a national program, to be administered by the Federal Extension Service, to provide rural citizens with training, technical and management assistance regarding, and educational opportunities to enhance their knowledge of—

"(A) the potential for beginning new businesses through entrepreneurship;

"(B) the procedures necessary to establish new businesses in rural areas;

"(C) self-employment opportunities in rural areas;

"(D) the uses of modern telecommunications and computer technologies;

"(E) business and financial planning; and

"(F) such other training, assistance, and educational opportunities as the Secretary determines are necessary to carry out the program established under this subsection.

"(2) The program established pursuant to this subsection shall provide assistance designed to increase the leadership abilities of residents in rural areas. Such assistance shall include—

"(A) information relative to the development of community goals;

"(B) instruction regarding the methods by which state or Federal funding for rural development projects might be obtained;

"(C) instruction regarding the successful writing of applications for loan or grant funds, from government and private sources;

"(D) an updated listing of State, Federal, and other economic development programs available to rural areas; and

"(E) such other training, information, and assistance as the Secretary determines necessary to increase the leadership abilities of residents in rural areas.

"(3) In order to facilitate the program established under this subsection, the extension service in each State shall develop, maintain, and provide to each community, and make

accessible to any other interested party, a catalog of available State, Federal, or private programs that provide leadership training or other information or services similar or complementary to the training or services required by this subsection. Such catalog shall include, at a minimum, the following entities within the State that provide such training or services:

"(A) any rural electric cooperative;

"(B) any nonprofit community development corporation;

"(C) any economic development district that serves a rural community;

"(D) any nonprofit subsidiary of any private entity;

"(E) any nonprofit organization whose principal purpose is to promote economic development in rural areas.

"(F) any investor owned electric utility;

"(G) any small business development center or small business investment company;

"(H) any regional development organization;

"(I) any vocational or technical school;

"(J) any Federal, State, or local government agency or department; and

"(K) any other entity that the Secretary deems appropriate.

The extension service in each State shall include in the catalog information relative to the specific training or services provided by each entity in the catalog.

"(4) The Secretary shall provide training for extension service employees to ensure that such employees understand the availability of rural development programs in their respective States; and the availability of Federal Extension Service staff qualified to provide to rural citizens and to State extension staff training and materials for technical, management, and educational assistance required by this subsection.".

TITLE VI—RURAL ECONOMIC DEVELOPMENT RESEARCH

SEC. 601. RESEARCH ON NONTRADITIONAL USES OF AGRICULTURAL COMMODITIES.

The Secretary shall establish a program of competitive grants, to be administered through the Cooperative State Research Service in conjunction with that agency's activities required under subtitle C of title XIV of the Food Security Act of 1985 (7 U.S.C. 4701 et seq.), for the purpose of conducting research on nonfood, nonfeed uses of agricultural commodities. The Secretary shall give priority in the awarding of grants under this section to research projects that the

Secretary determines have the potential for developing new products from or processes for agricultural commodities that may be commercially implemented by small businesses.

SEC. 602. AUTHORIZATION OF RURAL DEVELOPMENT RESEARCH COMPETITIVE GRANTS.

The Secretary shall establish a program of competitive grants, to be administered through the Cooperative State Research Service, for the purpose of encouraging research and analysis of the social, economic, and other factors influencing the economic vitality of rural areas. Priority in the award of such grants shall be given to projects designed to research methods by which the social and economic vitality of rural areas can be enhanced.

SEC. 603. DEMONSTRATION PROJECTS.

The Secretary shall establish a program of competitive grants to rural areas to serve as demonstration areas. In awarding such grants the Secretary shall consider—

(1) whether such rural area demonstrates the ability to supplement the grant funds provided under this section with other funds from State, local, or private sources;

(2) whether such rural area demonstrates the ability to use the grant funds to increase employment in the area; and

(3) whether such rural area can successfully serve as a demonstration area to share the results of the projects to benefit other rural areas in the region.

TITLE VII—RURAL ELECTRIFICATION PROVISIONS

SEC. 701. SHORT TITLE; AMENDMENT OF RURAL ELECTRIFICATION ACT OF 1936.

(a) SHORT TITLE.—This title may be cited as the "Rural Telecommunications Improvements Act of 1989".

(b) AMENDMENT OF RURAL ELECTRIFICATION ACT OF 1936.—Except as otherwise expressly provided, whenever in this title an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of the Rural Electrification Act of 1936.

SEC. 702. FINDINGS; STATEMENT OF POLICY.

(a) FINDINGS.—The Congress finds that—

(1) making modern telecommunications technology and services available in rural areas in the United States promotes economic development and improves the quality of life in rural areas; and

(2) the efficient operation of the Rural Telephone Bank and the Rural Electrification Administration telephone loan programs is essential to the continued de-

velopment of the telecommunications infrastructure in rural areas in the United States.

(b) STATEMENT OF POLICY.—It is the policy of the Congress that the Rural Telephone Bank and the Rural Electrification Administration make loans that facilitate the development and enhancement of the rural telecommunications infrastructure in order to make modern telecommunications technology and services available at reasonable rates to the greatest practicable number of people in rural areas in the United States.

Subtitle A—Amendments Relating to Title I of the 1936 Act

SEC. 711. CARRYOVER OF RESCINDED LOANS.

Section 3(e) (7 U.S.C. 903(e)) is amended by inserting "(including the balance of all rescinded loans and obligations)" before the comma the first place it appears.

SEC. 172. GENERAL PROHIBITIONS.

Title I (7 U.S.C. 901 et seq.) is amended by adding at the end the following:

"SEC. 17. GENERAL PROHIBITIONS.

"The Administrator and the Governor of the telephone bank shall not—

"(1) deny or reduce any loan or loan advance under this Act based on a borrower's level of general funds; or

"(2) make any loan or grant, or provide any guarantee, under this Act, for electric service to any borrower of a telephone loan, or for telephone service to any borrower of an electric loan, unless—

"(A) the borrower has obtained a certificate of convenience and necessity from, or otherwise obtained the consent of, the State regulatory authority with jurisdiction over the provision of such service; and

"(B) the Administrator or the Governor, as the case may be, has determined (and set forth the reasons therefor in writing) that such loan or grant will not be used to duplicate any lines, facilities, or systems.".

Subtitle B—Amendments Relating to Title II of the 1936 Act

SEC. 721. NONDUPLICATION OF TELEPHONE FACILITIES.

(a) IN GENERAL.—The last sentence of section 201 (7 U.S.C. 922) is amended to read as follows: "The Administrator and the Governor of the telephone bank shall not make or guarantee a loan, or make a grant, for telephone purposes under this Act if the loan, guarantee, or grant would result in the duplication of lines, facilities, or systems that provide reasonably adequate service. For purposes of this Act, the term 'duplication' does not include upgrading.".

(b) CONFORMING AMENDMENT.—Section 408(b)(5) (7 U.S.C. 948(b)(5)) is amended by striking the 2nd sentence.

SEC. 722. UPDATED DEFINITION OF TELEPHONE SERVICE.

Section 203(a) (7 U.S.C. 924(a)) is amended—

(1) by inserting "or reception" after "transmission";

(2) by inserting "data," after "voice,"; and

(3) by striking "through the use of electricity between the transmitting and receiving apparatus" and inserting "by wire, fiber, radio, light, or other visual or electromagnetic means".

SEC. 723. NONINTERFERENCE WITH STATE REGULATION OF TELEPHONE RATEMAKING.

Title II (7 U.S.C. 922 et seq.) is amended by adding at the end the following:

"SEC. 204. NONINTERFERENCE WITH STATE REGULATION OF TELEPHONE RATEMAKING.

"The Administrator and the Governor of the telephone bank may not, as a condition of making a telephone loan to an applicant therefor, require the applicant to—

"(1) increase the rates charged to the applicant's customers or subscribers; or

"(2) increase the applicant's ratio of—

"(A) net income or margins before interest; to

"(B) the interest requirements on all of the applicant's outstanding and proposed loans.".

SEC. 724. ENCOURAGEMENT OF INVESTMENT BY TELEPHONE BORROWERS IN RURAL DEVELOPMENT PROJECTS.

Title II (7 U.S.C. 922 et seq.) is amended by adding after the section added by section 723 of this title the following:

"SEC. 205. CERTAIN RURAL DEVELOPMENT INVESTMENTS BY QUALIFIED TELEPHONE BORROWERS NOT TREATED AS DIVIDENDS OR DISTRIBUTIONS.

"(a) IN GENERAL.—The Administrator shall not—

"(1) treat any amount invested by any qualified telephone borrower for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee, or advance made to, an affiliated company of the borrower, which is used by such company for such a purpose) as a dividend or distribution of capital, to the extent that, immediately after such investment, the aggregate of such investments does not exceed one-third of the net worth of the borrower; or

"(2) require a qualified telephone borrower to obtain the approval of the Administrator in order to make an investment described in paragraph (1).

"(b) QUALIFIED TELEPHONE BORROWER DEFINED.—As used in subsection (a), the term 'qualified telephone borrower' means a person—

"(1) to whom a telephone loan has been made or guaranteed under this Act; and

"(2) whose net worth is at least 20 per centum of the total assets of such person.".

SEC. 725. IMPROVEMENTS IN TELEPHONE PROGRAM.

Title II (7 U.S.C. 922 et seq.) is amended by adding after the sections added by sections 723 and 724 of this title the following:

"SEC. 206. GENERAL DUTIES AND PROHIBITIONS.

"(a) DUTIES.—The Administrator and the Governor of the telephone bank shall—

"(1) notwithstanding section 553(a)(2) of title 5, United States Code, cause to be published in the Federal Register, in accordance with section 553 of such title, all rules, regulations, bulletins, and other written policy standards governing the operations of the telephone loan and loan guarantee programs administered under this Act;

"(2) in evaluating the feasibility of a telephone loan to be made to a borrower for telephone services in a State, use only the depreciation rates authorized by

the State regulatory authority with jurisdiction over the provision of such services; and

"(3) make loans for all purposes for which loans are authorized under section 201, to the extent of qualifying applications therefor.

"(b) PROHIBITIONS.—The Administrator and the Governor of the telephone bank shall not—

"(1) rescind an insured telephone loan, or a Rural Telephone Bank loan, made under this Act without the consent of the borrower;

"(2) regulate the order or sequence of advances of funds under telephone loans made under this Act to any borrower who has received any combination of telephone loans from the Rural Electrification Administration, the Rural Telephone Bank, or the Federal Financing Bank; or

"(3) deny a loan or advance to, or take any other adverse action against, an applicant for, or a borrower of, a telephone loan under this Act for any reason which is not based on a rule, regulation, bulletin, or other written policy standard which has not been published pursuant to section 553 of title 5, United States Code.".

SEC. 726. PROMPT PROCESSING OF TELEPHONE LOANS.

Title II (7 U.S.C. 922 et seq.) is amended by adding after the sections added by sections 723, 724, and 725 of this title the following:

"SEC. 207. PROMPT PROCESSING OF TELEPHONE LOANS.

"Within ten days after the end of each calendar quarter, the Administrator shall submit to the Committee on Agriculture and the Committee on Appropriations of the House of Representatives, and to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Appropriations of the Senate, a report—

"(1) identifying each completed application for a telephone loan under section 305, a guarantee of a telephone loan under section 306, or a loan under section 408, which has not been finally acted upon within sixty days after the date the completed application is submitted; and

"(2) stating the reasons for the failure to finally act upon the completed applications within such sixty-day period.".

Subtitle C—Amendments Relating to Title III of the 1936 Act

SEC. 731. CREATION OF SEPARATE ELECTRIC AND TELEPHONE ACCOUNTS WITHIN RURAL ELECTRIC AND TELEPHONE REVOLVING FUND.

Section 302 (7 U.S.C. 932) is amended by adding at the end the following:

"(c)(1) The Administrator shall maintain two separate accounts within the fund, which shall be known as the electric account and the telephone account, respectively.

"(2)(A) The Administrator shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to operations of the electric loan program, in the electric account.

"(B) The Administrator shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to operations of the insured telephone loan program, in the telephone account.

"(3)(A) The assets accounted for in the electric account shall be available solely for the operation of the electric loan program under this Act.

"(B) The assets accounted for in the telephone account shall be available solely for the operation of the telephone loan programs under this Act (other than under title IV).".

SEC. 732. BORROWERS TO DETERMINE AMORTIZATION PERIOD FOR INSURED TELEPHONE LOANS.

Section 305 (7 U.S.C. 935) is amended by adding at the end the following:

"(d) The term of any telephone loan made under this title shall be determined by the borrower at the time the loan is made.".

SEC. 733. TIER REQUIREMENT FOR INSURED TELEPHONE LOANS.

Section 305 (7 U.S.C. 935) is amended by adding after the subsection added by section 732 of this title the following:

"(e) The Administrator shall make a telephone loan under this title to an applicant therefor who is otherwise qualified to receive such a loan, at the highest interest rate (not less than the lowest interest rate specified in subsection (b)) at which the borrower, taking into account all current and outstanding indebtedness, would be capable of producing net income or margins before interest payments of at least 100 per centum (but not more than 150 per centum) of the interest requirements on all of the applicant's outstanding and proposed loans.".

SEC. 734. FULL USE OF REA INSURED LOAN AUTHORITY.

Section 305 (7 U.S.C. 935) is amended by adding after the subsections added by sections 732 and 733 of this title the following:

"(f) FULL USE OF INSURED LOAN AUTHORITY.—

"(1) FULL USE.—

"(A) IN GENERAL.—If an appropriations Act authorizes the Administrator to make loans under this title in a fiscal year and such Act requires that, within available resources and available authority, gross obligations for the principal amount of such loans be not less than a specified amount and not more than a different specified amount, the Administrator shall obligate for such loans for such fiscal year, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions which may be sought to be imposed by or within the executive branch of the Federal Government, the unobligated funds (including the balance of all rescinded loans) available to the Administrator to the extent such unobligated funds do not exceed the greater of such specified amounts.

"(B) SPECIAL RULE.—Notwithstanding subparagraph (A), until all unobligated funds (including the balance of all rescinded loans) available to the Administrator for any fiscal year before fiscal year 1990 have been expended, the Administrator shall obligate for loans under this title, to the

extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions which may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds (including the balance of all rescinded loans) available to the Administrator.

"(2) RELATION TO OTHER LAW.—Subsequent statute may not be held to supersede or modify this subsection, except to the extent that it does so expressly.".

SEC. 735. CLARIFICATION OF TELEPHONE LOAN GUARANTEE AUTHORITY.

Section 306 (7 U.S.C. 936) is amended by inserting after the first sentence the following new sentence: "The Administrator shall not provide such assistance to any borrower of a telephone loan under this Act unless the borrower specifically applies for such assistance.".

Subtitle D—Amendments Relating to Title IV of the 1936 Act

SEC. 741. MODIFICATION OF RURAL TELEPHONE BANK BOARD.

"(a) IN GENERAL.—Section 405 (7 U.S.C. 945) is amended by striking all that precedes subsection (g) and inserting the following:

"SEC. 405. BOARD OF DIRECTORS.

"(a) IN GENERAL.—The management of the telephone bank, within the limitations prescribed by law, shall be vested in a board of directors (in this title referred to as the Telephone Bank Board).

"(b) MEMBERSHIP.—The Telephone Bank Board shall consist of thirteen individuals, as follows:

"(1) PRESIDENTIAL APPOINTEES.—The President shall appoint seven individuals to serve on the Telephone Bank Board, by and with the advice and consent of the Senate, who shall serve at the pleasure of the President—

"(A) Five of whom shall be officers or employees of the Department of Agriculture and not officers or employees of the Rural Electrification Administration; and

"(B) Two of whom shall be from the general public and not officers or employees of the Federal Government.

"(2) COOPERATIVE MEMBERS.—The cooperative-type entities, and organizations controlled by such entities, which hold class B or class C stock shall elect three individuals to serve on the Telephone Bank Board for a term of two years, by a plurality vote of the stockholders voting in the election.

"(3) COMMERCIAL MEMBERS.—The commercial-type entities, and the organizations controlled by such entities, which hold class B or class C stock shall elect three individuals to serve on the Telephone Bank Board for a term of two years, by a plurality vote of the stockholders voting in the election.

"(c) ELECTIONS.—

"(1) VALIDITY.—An election under paragraph (2) or (3) of subsection (b) shall not be considered valid unless a majority of the stockholders eligible to vote in the election have voted in the election.

"(2) BALLOTING.—Balloting in an election under paragraph (2) or (3) of subsection (b) shall be conducted by mail pursuant to the procedures authorized in the bylaws of the telephone bank.

"(3) NO CUMULATIVE VOTING.—Cumulative voting shall not be permitted in any election under paragraph (2) or (3) of subsection (b).

"(d) COMPENSATION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), each member of the Telephone Bank Board shall receive $100 per day for each day or part thereof, not to exceed fifty days per year, spent in the performance of their official duties, and shall be reimbursed for travel and other expenses in such manner

and subject to such limitations as the Telephone Bank Board may prescribe.

"(2) EXCEPTIONS.—The five members of the Telephone Bank Board appointed under subsection (b)(1)(A) shall not receive compensation by reason of their service on the Telephone Bank Board.

"(e) SUCCESSION.—A member of the Telephone Bank Board may serve after the expiration of the term of office of such member until the successor for such member has taken office.

"(f) CHAIRPERSON.—The members of the Telephone Bank Board shall elect one of such members to be the Chairperson of the Board, in accordance with the bylaws of the telephone bank. The Chairperson shall preside at all meetings of the Board and may vote on a matter before the Board only in the event of a tie vote of the other members of the Board on such matter.".

SEC. 742. RURAL TELEPHONE BANK CAPITALIZATION.

Section 406(a) (7 U.S.C. 946(a)) is amended in the second sentence by striking "but not later than fiscal year 1991".

SEC. 743. PRO RATA PURCHASE OF RTB STOCK BY RTB BORROWERS.

The second sentence of section 406(d) (7 U.S.C. 946)) is amended by inserting ", by paying an amount equal to 5 per

centum of the amount of each loan advance, at the time of such advance" before the period.

SEC. 744. CLARIFICATION OF AUTHORITY TO SET RTB LOAN LEVELS.

Section 408(a) (7 U.S.C. 948(a)) is amended by striking "is authorized on behalf of the telephone bank to make loans," and inserting "shall make loans on behalf of the telephone bank, to the extent that there are qualifying applications therefor, subject only to limitations as to amounts authorized for loans and advances as may be imposed by the Congress of the United States for loans to be made in any one year, and".

SEC. 745. CORRECTION OF OVERCHARGE MADE ON RTB LOANS MADE BEFORE OCTOBER 1, 1987.

(a) IN GENERAL.—Section 408(b)(3)(B) (7 U.S.C. 948(b)(3)(B)) is amended—

(1) by inserting "(i)" after "(B)"; and

(2) by adding at the end the following:

"(ii)(I) On request of the borrower, advances made in a fiscal year under loan commitments made before October 1, 1987, shall bear interest, on and after the date of the enactment of this clause—

"(aa) in the case of advances made before October 1, 1987, at the rate

specified in the table set forth in subparagraph (E) for advances made in such fiscal year;

"(bb) in the case of advances made after September 30, 1987, at the cost of money rate for such fiscal year, as determined under subparagraph (D).

"(II) Subclause (I) shall not apply to any advance made under a loan commitment if, as a result, the weighted average interest rate on all advances made under the loan commitment would exceed the rate of interest specified in the loan commitment.".

(b) NOTIFICATION TO BORROWERS.—Before the end of the sixty-day period beginning on the date of the enactment of this section, the Governor of the Rural Telephone Bank shall amend the loan documentation of each borrower who requests an interest rate reduction on an advance to which section 408(b)(3)(B)(ii)(I) of the Rural Electrification Act of 1936 applies, and shall notify each such borrower of the reduced interest rate on such advance.

SEC. 746. BORROWERS TO DETERMINE AMORTIZATION PERIOD FOR RTB LOANS.

Section 408 (7 U.S.C. 948) is amended by adding at the end the following:

"(d)(1) Except as provided in paragraph (2), the term of any loan made under this title shall be determined by the borrower at the time the loan is made.

"(2) The term of any loan made under this title shall not exceed the maximum term for which a loan may be made under section 4.".

SEC. 747. FULL USE OF RTB LOAN AUTHORITY.

Section 412 (7 U.S.C. 950b) is amended to read as follows:

"SEC. 412. FULL USE OF TELEPHONE BANK LOAN AUTHORITY.

"(a) IN GENERAL.—If an appropriations Act authorizes the telephone bank to make loans in a fiscal year and such Act requires that, within available resources and available authority, gross obligations for the principal amount of such loans be not less than a specified amount and not more than a different specified amount, the Governor of the telephone bank shall obligate for such loans for such fiscal year, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions which may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds (including the balance of all rescinded loans) available to the Governor to the extent such un-

obligated funds do not exceed the greater of such specified amounts.

"(2) SPECIAL RULE.—Notwithstanding paragraph (1), until all unobligated funds (including the balance of all rescinded loans) available to the Governor of the telephone bank for any fiscal year before fiscal year 1990 have been expended, the Governor shall obligate for loans under this title, to the extent of qualifying applications therefor and without regard to nonstatutory quotas or other restrictions which may be sought to be imposed by or within the executive branch of the Federal Government, all unobligated funds (including the balance of all rescinded loans) available to the Governor.

"(b) RELATION TO OTHER LAW.—Subsequent statute may not be held to supersede or modify this section, except to the extent that it does so expressly.".

SEC. 748. TECHNICAL AMENDMENTS RELATING TO THE RURAL TELEPHONE BANK PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1987.

(a) SECTION 406(H) AMENDMENTS.—Section 406(h) (7 U.S.C. 947(h)) is amended—

(1) by inserting after the second sentence the following: "All amounts so transferred shall not be trans-

ferred, directly or indirectly, to the reserve for contingencies."; and

(2) by striking "Rural Telephone Bank Borrowers Fairness" and inserting "Omnibus Budget Reconciliation".

(b) SECTION 408(b)(3) AMENDMENTS.—Section 408(b)(3) (7 U.S.C. 948(b)(3)) is amended—

(1) in subparagraph (B), by striking "paragraph" and inserting "subparagraph";

(2) in subparagraph (D)(ii), by adding at the end the following: "For purposes of the calculation under this subparagraph, such rate shall be zero."; and

(3) in subparagraph (E), by striking "subparagraph" the second place such term appears and inserting "paragraph".

Subtitle E—Effective Date

SEC. 751. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this title and the amendments made by this title shall take effect on the date of the enactment of this title.

(b) TECHNICAL AMENDMENTS.—The amendments made by section 748 of this title shall take effect as if such amendments had been included in chapter 2 of subtitle D of title I of the Omnibus Budget Reconciliation Act of 1987 on the date of the enactment of such chapter.

TITLE VIII—MISCELLANEOUS

SEC. 801. REGULATIONS.

No later than one hundred and eighty days after the enactment of this Act, the Secretary shall promulgate such regulations as may be necessary to carry out this Act.

SEC. 802. CONFORMING AMENDMENTS.

(a) Sections 657, 658, 1006, and 1014 of title 18, United States Code, are each amended by striking "Farmers' Home Administration" and inserting "Farmers Home Administration, the Rural Development Administration".

(b)(1) Section 623(c)(2) of the Community Economic Development Act of 1981 (42 U.S.C. 9812(c)(2)) is amended by inserting ", or the Rural Development Administration" after "Farmers Home Administration".

(2) Section 628 of such Act (42 U.S.C. 9817) is amended—

(A) by amending the heading to read as follows: "DEPARTMENT OF AGRICULTURE; RURAL DEVELOPMENT ADMINISTRATION PROGRAMS",

(B) by inserting ", or of the Rural Development Administration" after "of the Farmers Home Administration".

SEC. 803. LOAN RATES APPLICABLE TO CERTAIN LOANS UNDER THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT.

Section 307(a)(3) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1927(a)(3)) is amended by adding at the end thereof the following new subparagraph:

"(C) Notwithstanding the provisions of subparagraph (A), the Secretary shall establish loan rates for health care and related facilities that shall be based solely on the income of the area to be served, and such rates shall be otherwise consistent with the provisions of such subparagraph.".

SEC. 804. ASSISTANCE TO COMMUNITIES DEPENDENT ON NATURAL RESOURCES.

(a) ADDITIONAL FUNDS FOR THE REFORESTATION TRUST FUND.—Section 303(b)(2) of Public Law 96–451, relating to the Reforestation Trust Fund (16 U.S.C. 1606a(b)(2)) is amended by striking "$30,000,000" and inserting "40,000,000 (of which, $10,000,000 shall be subject to subsection (e))".

(b) ADDITIONAL PURPOSES FOR WHICH FUND AVAILABLE.—Section 303(d) of such Act (16 U.S.C. 1606a(d) is amended—

(1) in paragraph (1) by striking out "and" at the end thereof;

(2) by redesignating paragraph (2) as paragraph (3); and

(3) by inserting after paragraph (1) the following:

"(2) economic diversification assistance to communities which are dependent to a significant degree upon Forest Service resource management decisions for their local economic activity; and".

(c) ASSISTANCE TO COMMUNITIES DEPENDENT ON NATURAL RESOURCES.—Section 303 of such Act (16 U.S.C. 1606a) is amended by adding at the end thereof the following new subsection:

"(e) In each fiscal year $10,000,000 of the amounts transferred to the Trust Fund by the Secretary under subsection (b)(2) shall be expended for purposes described in subsection (d)(2) and any such amount shall be available only as provided for in annual appropriations Acts.".

SEC. 805. ASSISTING CERTAIN DISTRESSED COMMUNITY FACILITY PROGRAM BORROWERS.

The Secretary shall establish and implement a program that is similar to the program established under section 353 of the Consolidated Farm and Rural Development Act (7 U.S.C. 2001), except that the debt restructuring and loan servicing procedures shall apply to delinquent community facility program loans (rather than delinquent farmer program loans) made by the Farmers Home Administration to a hospi-

tal or health care facility under section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 306(a)). Not later than one hundred and twenty days after the date of enactment of this Act, the Secretary shall promulgate regulations, as modeled after those promulgated under such section 353, that implement the program established under this section.

SEC. 806. WATER OR WASTE DISPOSAL LOANS TO BENEFIT RURAL BUSINESSES.

Section 306(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(1)) is amended by inserting "rural businesses," after "farm laborers,".

SEC. 807. WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.

The Consolidated Farm and Rural Development Act is amended by adding after section 306 (7 U.S.C. 1926) the following new section:

"SEC. 306A. WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.

"(a) WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.—(1) The Secretary shall make or insure loans and grants to rural water supply corporations, cooperatives, or similar entities, and public agencies, to provide for the conservation, development, use, and control of water (including the extension or improve-

ment of existing water supply systems), and the installation or improvement of drainage or waste disposal facilities and essential community facilities including necessary related equipment. Such loans and grants shall be available only to provide such water and waste facilities and services to communities whose residents face significant health risks, as determined by the Secretary, due to the fact that—

"(A) a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable water supply systems; or

"(B) a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable waste disposal facilities.

"(2) Loans made or insured or grants made under this section to rural water supply corporations, cooperatives, or similar entities, or public agencies shall be made only if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a county in which—

"(A) the per capita income of the residents of such county is less than or equal to 70 per centum of the national average; and

"(B) the unemployment rate of the residents of such county is greater than or equal to 125 per centum of the national average.

"(b) LOANS TO INDIVIDUALS.—(1) The Secretary shall make or insure loans and make grants to individuals who reside in a community described in subsection (a) for the purpose of extending water supply and waste disposal systems or connecting such systems to the residences of such individuals. Such loans shall be at a rate of interest no greater than the current Federal Financing Bank rate on loans of a similar term at the time such loans are made. The repayment of such loans shall be amortized over the expected life of the water supply or waste disposal system to which the residence of the borrower will be connected.

"(2) The loans and grants to individuals authorized under paragraph (1) shall be made:

"(A) directly to such individuals by the Secretary; or

"(B) to such individuals through the rural water supply corporation, cooperative, or similar entity, or public agency, providing such water supply or waste disposal services, pursuant to regulations issued by the Secretary.

"(c) PREFERENCE.—The Secretary shall give preference in the awarding of loans and grants to:

"(A) rural water supply corporations, cooperatives, or similar entities, or public agencies, as provided under subsection (a), proposing to provide water

supply or waste disposal services to the residents of those rural subdivisions commonly referred to as colonias, which are characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities; and

"(B) individuals, as provided under subsection (b), who reside in a rural subdivision commonly referred to as a colonia, which is characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities.

"(d) DEFINITION.—For the purposes of this section the term "cooperative" means a cooperative formed specifically for the purpose of installation, expansion, improvement or operation of water supply or waste disposal facilities or systems.

"(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated funds to carry out the purpose of this section as follows:

"(1) for grants as provided by this section, $30,000,000 per fiscal year; and

"(2) for loans as provided by this section, $30,000,000 per fiscal year.".

O